

RECORDS OF U.S. CIRCUIT COURT
OF APPEALS

9TH CIRCUIT

2509A



Digitized by the Internet Archive
in 2010 with funding from
Public.Resource.Org and Law.Gov

HASTINGS COLLEGE OF THE LAW LIBRARY

Part of vol. 2509

No. 11809

United States
Circuit Court of Appeals
For the Ninth Circuit.

MISSION CORPORATION, a corporation,
Appellant,
vs.
WILLIAM G. SKELLY,
Appellee.

Transcript of Record
IN FOUR VOLUMES
Book of Exhibits
VOLUME III
Pages 559 to 694

Upon Appeal from the District Court of the United States
for the District of Nevada

San Francisco Law Library

Rotary Colorprint, 870 Brannan Street, San Francisco

3-12-48-70

FILED

MAY -3 1948

PAUL P. O'NEILL
CLERK

SUNRAY OIL CORPORATION

Special Meeting of Stockholders
December 5, 1947

NOTICE OF MEETING
AND
PROXY STATEMENT

DEFENDANT'S EXHIBIT A
[Endorsed]: Filed (DC) Nov. 21, 1947

DEFENDANT'S EXHIBIT A

Sunray Oil Corporation: Special Meeting of Stockholders
December 5, 1947; Notice of Meeting and Proxy Statement.

Notice of Meeting	561
Proxy Statement.....	563
Proposed Merger.....	563
Capitalization and Basis of Conversion.....	563
Purchased by Sunray of Capital Stock of Pacific.....	565
Sale of Securities by Sunray.....	566
Commissions	567
Cost of Merger	568
Businesses of Pacific, Mission and Skelly.....	568
Description of Prior Preferred Stock, Second Preferred Stock and Common Stock of Sunray.....	571
Amendment of Certificate of Incorporation of Sunray....	574
By-Laws of Sunray.....	574
Rights of Dissatisfied Stockholders	574
Market Prices of Stocks.....	575
Interests of Directors and Officers of Sunray and Their Associates	577
Discretionary Authority	578
Miscellaneous	579
Financial Statements	579
Exhibit A —Agreement of Merger.....	581
Exhibit B-1—Section 61 of the General Corporation Law of the State of Delaware.....	611
Exhibit B-2—Section 41 of the General Corporation Law of the State of Nevada.....	613
Exhibit C-1—Financial statements of Sunray Oil Corp.....	615
Exhibit C-2—Financial statements of Transwestern Oil Co.	625
Exhibit C-3—Financial statements of Darby Petroleum Corporation	633
Exhibit D-1—Financial statements of Pacific Western Oil Corporation	641
Exhibit D-2—Financial statements of Getty Realty Corp.....	653
Exhibit D-3—Financial statements of George F. Getty, Inc.	659
Exhibit E-1—Financial statements of Mission Corporation..	667
Exhibit E-2—Consolidated financial statements of Skelly Oil Company and its subsidiaries.....	677
Exhibit F —Pro forma financial statements of Sunray.....	689

SUNRAY OIL CORPORATION

Notice of Special Meeting of Stockholders December 5, 1947.

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of Sunray Oil Corporation, a Delaware corporation (hereinafter called "Sunray"), will be held at the principal office of Sunray in the State of Delaware, No. 100 West Tenth Street, Wilmington, Delaware, on December 5, 1947, at 2 o'clock p. m., Eastern Standard Time, for the following purposes:

1. To consider and vote upon an Agreement of Merger, dated October 18, 1947, providing for the merger of Pacific Western Oil Corporation, a Delaware corporation, and Mission Corporation, a Nevada corporation, with and into Sunray, a copy of which Agreement of Merger is annexed as Exhibit A to the Proxy Statement being mailed to stockholders; and
2. To transact such other business as may properly come before the meeting, or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on November 1, 1947, are entitled to notice of and to vote at the meeting, or any adjournment or adjournments thereof.

By order of the Board of Directors.

W. D. FORSTER,
Secretary.

Tulsa, Oklahoma,
November 5, 1947.

SUNRAY OIL CORPORATION

Proxy Statement for Special Meeting of Stockholders December 5, 1947

This statement is furnished in connection with the solicitation by the management of Sunray Oil Corporation, a Delaware corporation (hereinafter called "Sunray") of proxies to be voted at a special meeting of stockholders of Sunray to be held on December 5, 1947, for the purposes set forth in the accompanying Notice of such special meeting of stockholders dated November 5, 1947. Holders of 4¼% Cumulative Preferred Stock, Series A, and Common Stock will be entitled to vote at the meeting. Stockholders who execute proxies may revoke them at any time before they are voted.

PROPOSED MERGER

At the meeting there will be submitted a proposal to adopt an Agreement of Merger, dated October 18, 1947 (hereinafter called the "Agreement of Merger") providing for the merger of Pacific Western Oil Corporation, a Delaware corporation (hereinafter called "Pacific") and Mission Corporation, a Nevada corporation (hereinafter called "Mission") with and into Sunray. Said three corporations are hereinafter sometimes called the "Constituent Corporations". A copy of the Agreement of Merger is annexed hereto as Exhibit A.

The Agreement of Merger will become effective upon the adoption thereof by the votes of stockholders representing at least two-thirds of the total number of shares of capital stock of each of Sunray and Pacific (and in the case of Sunray, two-thirds of the outstanding number of shares of its 4¼% Cumulative Preferred Stock, Series A, voting as a class) and a majority of the issued and outstanding shares of Mission and the filing and recording thereof in the manner provided by law. Upon the Agreement of Merger becoming effective, the separate existence of the Constituent Corporations will cease and the Constituent Corporations will be merged into Sunray, which will survive the merger and will succeed to all the rights and property and be subject to all the debts, liabilities and duties of the Constituent Corporations.

The Agreement of Merger provides that it shall not become effective if Sunray shall not have acquired, prior to or simultaneously with the time at which the Agreement of Merger is otherwise to become effective, and shall not then be the owner and holder of, the 1,169,449 shares of Capital Stock, of the par value of \$10 each, of Pacific referred to in the first paragraph under the heading "Purchase by Sunray of Capital Stock of Pacific" and further provides that it may be abandoned (a) by any of the Constituent Corporations at any time prior to its adoption by the stockholders of all of the Constituent Corporations, or (b) by mutual consent of the Constituent Corporations at any time prior to its effective date. Other prerequisites to the consummation of the merger, as more fully set forth under the heading "Sale of Securities by Sunray," are the sale by Sunray on the effective date of the Agreement of Merger of 1,923,447 shares of Common Stock of Tide Water Associated Oil Company, a Delaware corporation (hereinafter called "Tide Water") and of new debentures, or debentures and notes, and shares of an initial series of Second Preferred Stock of Sunray.

CAPITALIZATION AND BASIS OF CONVERSION

The Agreement of Merger provides that Sunray shall, upon the merger becoming effective, have an authorized capital stock consisting of 500,000 shares of Cumulative Prior Preferred Stock, of the par value of \$100 each, issuable in series (hereinafter called "Prior Preferred Stock"), the initial series of which shall consist of 403,500 shares of Cumulative Prior Preferred Stock, 4½% Series of 1947 (hereinafter called "1947 Prior Preferred Stock"), 300,000 shares of Cumulative Second Preferred Stock, of the par value of \$100 each, issuable in series (hereinafter called "Second Preferred Stock") and 15,000,000 shares of Common Stock, of the par value of \$1 each (hereinafter called "Common Stock"). The shares of the 1947 Prior Preferred Stock will be entitled to dividends at the rate of 4½% per annum, will be entitled upon redemption or upon voluntary dissolution, liquidation or winding up of the Corporation to \$104 per share with successive reductions thereafter for each two year period until \$100 per share is reached, plus accrued dividends in each case, will be entitled upon involuntary dissolution, liquidation or winding up of the Corporation to \$100 per share plus accrued dividends and will be entitled to the benefit of a sinking fund intended to retire 3% per annum of the greatest number of shares at any one time theretofore outstanding. The number of shares of capital stock of Sunray which will be authorized but unissued immediately after the effective date of the

Agreement of Merger will be a minimum of 96,509.7 shares and a maximum of 238,106.4 shares of Prior Preferred Stock (of which a minimum of 9.7 shares and a maximum of 141,606.4 shares will be 1947 Prior Preferred Stock), a minimum of no shares and a maximum of approximately 247,500 shares of Second Preferred Stock, and 5,701,330.9 shares of Common Stock (of which 93,839 shares will be reserved for issuance upon the exercise of the option referred to under the heading "Commission" and an estimated maximum of 3,000,000 shares will be reserved for issuance upon conversion of the initial series of Second Preferred Stock referred to under the heading "Sale of Securities by Sunray"). Such authorized but unissued shares (other than shares of Common Stock reserved as aforesaid) may, subject to the provisions of the laws of the State of Delaware and the Certificate of Incorporation, as amended, be issued at such time or times, upon such terms and for such consideration as the Board of Directors of Sunray may deem advisable, without further action by or approval of the holders of Common Stock, and are being authorized to provide a means for such future financing as the Board of Directors of Sunray may deem advisable. Sunray has no present plans for the issuance of any such shares.

As of October 1, 1947, Sunray had outstanding 270,000 shares of 4¼% Cumulative Preferred Stock, Series A, of the par value of \$100 each (hereinafter called "old Preferred Stock"), including 8,106.4 shares held in its treasury which will be retired prior to the effective date of the Agreement of Merger, and 4,699,801.325 shares of Common Stock, including 28,615.525 shares held in its treasury. The Board of Directors of Sunray has declared a dividend on its Common Stock, payable in shares of its Common Stock on November 17, 1947, to holders of record at the close of business on October 1, 1947, at the rate of 5% of the number of shares held of record by each holder. The Agreement of Merger provides that the shares of Common Stock of Sunray which shall be outstanding on the effective date of the Agreement of Merger (including any shares held in the treasury of Sunray) shall not be changed as a result of the merger and shall remain outstanding and that each share of old Preferred Stock of Sunray which shall be outstanding on such date (including any shares held in the treasury of Sunray) shall be converted into 1 share of 1947 Prior Preferred Stock of Sunray.

As of October 1, 1947, Pacific had outstanding 1,376,430 shares of Capital Stock, of the par value of \$10 each (hereinafter called "Capital Stock of Pacific"), including 4,700 shares held in its treasury. The Agreement of Merger provides that each share of Capital Stock of Pacific which shall be outstanding on the effective date of the Agreement of Merger (except any shares held in the treasury of Pacific or owned by any other Constituent Corporation) shall be converted into 7/10ths of 1 share of 1947 Prior Preferred Stock of Sunray and that any shares of Capital Stock of Pacific held in the treasury of Pacific or owned by any other Constituent Corporation shall cease to exist. (Attention is called to the fact that the shares of Capital Stock of Pacific purchased by Sunray as set forth under the heading "Purchase by Sunray of Capital Stock of Pacific" will, pursuant to this provision of the Agreement of Merger, cease to exist on the effective date thereof and will not be converted into 1947 Prior Preferred Stock of Sunray.) The Agreement of Merger further provides that no certificates for fractional shares of 1947 Prior Preferred Stock of Sunray shall be issued upon the surrender and exchange of certificates which, prior to the effective date of the Agreement of Merger, represented shares of Capital Stock of Pacific, but in lieu thereof Sunray shall, at its election (a) make cash payments at the rate of \$100 per share of 1947 Prior Preferred Stock of Sunray or (b) execute and deliver non-voting and non-dividend bearing scrip certificates (exchangeable within such period as may be fixed by the Board of Directors, upon surrender thereof with other scrip certificates aggregating one or more full shares, for stock certificates for the number of full shares represented) for fractions of shares, in such form and containing such terms and conditions as the Board of Directors may approve.

As of October 1, 1947, Mission had outstanding 1,379,545 shares of Capital Stock, of the par value of \$10 each (hereinafter called "Capital Stock of Mission"), including 5,400 shares held in the treasury of Mission and 641,808 shares owned by Pacific. The Agreement of Merger provides that each share of Capital Stock of Mission which shall be outstanding on the effective date of the Agreement of Merger (except any shares held in the treasury of Mission or owned by any other Constituent Corporation) shall be converted into 6 shares of Common Stock of Sunray and that any shares of Capital Stock of Mission held in the treasury of Mission or owned by any other Constituent Corporation shall cease to exist.

As set forth below under the heading "Purchase by Sunray of Capital Stock of Pacific" Sunray has agreed to purchase, subject to certain conditions, approximately 85% of the Capital Stock of Pacific at the price of \$68 per share and intends to invite tenders of the balance of such stock at the same price. The price of \$68

per share was arrived at through arms' length negotiations with the sellers. Relatively little weight was given to the market price on the New York Stock Exchange of Capital Stock of Pacific which on the date of the agreement was approximately \$52 per share. The basis of the conversion of shares of Capital Stock of Pacific not tendered into shares of 1947 Prior Preferred Stock of Sunray was arrived at through arms' length negotiations with the management of Pacific and the cash price of \$68 per share referred to above was the most important factor in determining this basis. On the date of the Agreement of Merger the market price on the New York Stock Exchange of Capital Stock of Pacific was approximately \$57 per share. The basis of the conversion of shares of Capital Stock of Mission into shares of Common Stock of Sunray was arrived at through arms' length negotiations with the management of Mission. Again relatively little weight was given to the market price on the New York Stock Exchange of Capital Stock of Mission, which on the date of the Agreement of Merger was approximately \$54 per share. On said date the market price on the New York Stock Exchange of six shares of Common Stock of Sunray was approximately \$68. In connection with the negotiations referred to above, the management of Sunray gave careful consideration to various factors involved, particularly the values to Sunray of the businesses and properties of Pacific and Mission and their subsidiaries. In this connection the management of Sunray was assisted by preliminary estimates by petroleum engineers of the oil and gas reserves of Pacific and Skelly Oil Company, a Delaware corporation (hereinafter called "Skelly"), which is a subsidiary of Mission. Furthermore, the management considered financial statements of and other available data concerning Pacific and Mission and their subsidiaries. After thorough consideration of the various factors the management came to the conclusion that the purchase of Capital Stock of Pacific at the price of \$68 per share and the merger of Pacific and Mission into Sunray on the basis set forth in the Agreement of Merger would be of benefit to the stockholders of Sunray.

PURCHASE BY SUNRAY OF CAPITAL STOCK OF PACIFIC

Thomas A. J. Dockweiler and George Franklin Getty, II, as trustees under a Declaration of Trust dated December 31, 1934, naming Sarah C. Getty as trustor and J. Paul Getty as original trustee (hereinafter called the "Trustees") own 699,422 shares, and J. Paul Getty, individually and as testamentary trustee under the Decree of Partial Liquidation of the Estate of Sarah C. Getty, deceased (hereinafter called "Getty") owns 470,027 shares, of Capital Stock of Pacific, being an aggregate of 1,169,449 shares of such stock or approximately 85% of the total amount outstanding. By an agreement dated October 4, 1947, as amended, upon the terms and subject to the conditions contained therein, the Trustees and Getty have agreed to sell to Sunray and Sunray has agreed to purchase from the Trustees and Getty, immediately prior to the Agreement of Merger becoming effective, at the price of \$68 per share, the shares of Capital Stock of Pacific owned by the Trustees and Getty. The obligations of the Trustees and Getty under the agreement are subject to the conditions that (a) they shall be satisfied through obtaining either a closing agreement or ruling from the U. S. Treasury Department or a satisfactory opinion of counsel that any profits realized by them or any of the beneficiaries of the said Sarah C. Getty trust dated December 31, 1934, upon such sale will be taxable as capital gains under the Internal Revenue Code and that none of said persons will incur liability as an alleged transferee of Pacific as a result of such sale and the subsequent consummation of the merger, (b) such sale shall be consummated prior to December 23, 1947 (which date could be extended by agreement with the Trustees and Getty), and (c) the stockholders of Pacific other than the Trustees and Getty shall be given an opportunity to sell their shares to Sunray at the price of \$68 per share. The obligations of Sunray under the agreement are subject to certain conditions, among which are conditions that (a) Sunray shall be satisfied through obtaining either a closing agreement or a ruling from the U. S. Treasury Department or a satisfactory opinion of counsel that the merger will constitute a tax-free reorganization under Section 112 of the Internal Revenue Code, (b) arrangements for the financing necessary to enable Sunray to consummate the purchase and the merger shall be successfully concluded, and (c) there shall have been no substantial adverse changes in the financial conditions of Pacific, Mission or Skelly, subsequent to August 31, 1947, other than changes occurring in the usual course of business.

The Board of Directors of Sunray intends to invite tenders during a period expiring on November 21, 1947, of shares of Capital Stock of Pacific other than shares owned by the Trustees and Getty for purchase by Sunray at the price of \$68 per share. If the purchase by Sunray of the shares of Capital Stock of Pacific owned by the Trustees and Getty is consummated prior to December 23, 1947 (or such later date as the Trustees and Getty may agree to), simultaneously therewith all tenders will be accepted; if such purchase is not consummated prior to December 23, 1947 (or such later date as the Trustees and Getty may agree to), the certificates for all shares tendered will be returned.

SALE OF SECURITIES BY SUNRAY

By an agreement dated October 27, 1947, upon the terms and subject to the conditions contained therein, Sunray has agreed to sell to Tide Water, and Tide Water has agreed to purchase from Sunray, on the effective date of the Agreement of Merger, the 1,923,447 shares of Common Stock of Tide Water now owned by Pacific (577,854 shares) and Mission (1,345,593 shares) at the price of \$25 per share, or an aggregate of \$48,086,175. The obligations of Tide Water under the agreement are subject to the approval of legal matters by counsel and to certain other conditions, among which are conditions that (a) Tide Water shall make arrangements satisfactory to it for the issue and sale privately on or before the effective date of the Agreement of Merger, of \$50,000,000 of its twenty-five year debentures; (b) the Agreement of Merger shall become effective on or before December 23, 1947, or such later date as Tide Water may agree to; (c) the purchase, the accompanying reduction of capital and the issue and sale of such debentures by Tide Water shall be approved by the affirmative vote of the holders of at least a majority of all of its outstanding stock having voting power, which vote shall include the affirmative vote of the holders of at least a majority of such stock other than the above-mentioned shares to be purchased by Tide Water; and (d) the purchase shall be approved by the New York Stock Exchange.

The Board of Directors of Sunray presently contemplates that on the effective date of the Agreement of Merger Sunray will obtain funds in an amount which, together with approximately \$4,150,000 from its general funds, will be sufficient for (a) the purchase of shares of Capital Stock of Pacific as set forth under the heading "Purchase by Sunray of Capital Stock of Pacific" which will require a maximum of \$93,277,640 if all of the outstanding shares of such stock are purchased, (b) the redemption of the \$20,000,000 outstanding principal amount of its Twenty Year 2 $\frac{7}{8}$ % Debentures, due July 1, 1966, at 103 $\frac{3}{4}$ % of the principal amount, which will require \$20,750,000 (exclusive of accrued interest) and (c) the payment of its 1 $\frac{7}{8}$ % Promissory Note, payable in installments 1947 to 1956, at the principal amount, which will require \$9,000,000 (exclusive of accrued interest). (The redemption of Sunray's Twenty Year 2 $\frac{7}{8}$ % Debentures and the payment of its 1 $\frac{7}{8}$ % Promissory Note are necessitated by reason of the fact that the acquisition by Sunray of Skelly as a subsidiary, in view of Skelly's present funded debt, would be a violation of the provisions of the indenture and the loan agreement under which such debentures and note were respectively issued.) The Board of Directors of Sunray further contemplates that such funds will be obtained through the sale to Tide Water of 1,923,447 shares of Common Stock of Tide Water as set forth above, which will provide \$39,870,770 after reserve for income taxes on such sale, and through the sale of new debentures, or debentures and notes to banks, and an initial convertible series of Second Preferred Stock, of Sunray. The new debentures and the initial series of Second Preferred Stock will be purchased and offered to the public by a group of investment bankers and the new notes, if any, will be privately placed by Sunray. The amount of funds to be obtained by Sunray through the sale of new debentures, or debentures and notes, may be as much as \$60,000,000, with the balance being obtained through the sale of the initial series of Second Preferred Stock or conversely the amount of funds to be obtained by Sunray through the sale of the initial series of Second Preferred Stock may be as much as \$30,000,000, with the balance being obtained through the sale of new debentures, or debentures and notes. It is the present intention of the Board of Directors, subject to change depending upon market conditions, that the amount of such securities to be sold by Sunray will be approximately \$54,000,000 of funded debt (thus increasing Sunray's funded debt by \$25,000,000 over the amount presently outstanding), consisting of approximately \$39,000,000 principal amount of debentures and approximately \$15,000,000 principal amount of notes, and a maximum of approximately 250,000 shares of the initial series of Second Preferred Stock, subject to reduction to the extent that shares of Capital Stock of Pacific other than shares owned by the Trustees and Getty are not tendered to Sunray pursuant to the invitation referred to above.

By an agreement dated October 4, 1947, as amended, between Sunray and Eastman, Dillon & Co., Eastman, Dillon & Co. has agreed, subject to certain conditions, to arrange for the requisite financing by Sunray referred to above.

The terms of the new debentures, or debentures and notes, and the provisions of the initial series of Second Preferred Stock not fixed by the amended Certificate of Incorporation of Sunray, will be determined by the Board of Directors shortly before the public offering of the new debentures and the shares of the

initial series of Second Preferred Stock, in the light of then existing market conditions. It is the present intention of the Board of Directors, subject to change depending upon market conditions, that (assuming that both new debentures and new notes are sold) (a) the debentures will mature in not more than 20 years, will bear interest at the rate of not less than $2\frac{7}{8}\%$ nor more than $3\frac{1}{2}\%$ per annum and will be entitled to the benefit of a sinking fund, commencing after the maturity of the notes, intended to retire not less than $66\frac{2}{3}\%$ of the issue prior to maturity; (b) the notes will be payable in installments over a period of not more than 10 years and will bear interest at a rate of not less than $1\frac{3}{4}\%$ nor more than 2% per annum; (c) the debentures and notes will have no conversion rights; and (d) the shares of the initial series of Second Preferred Stock will be entitled to dividends at a rate of not less than $3\frac{3}{4}\%$ nor more than 5% per annum, will be convertible into Common Stock at an initial conversion price per share of Common Stock not less than the market price of the Common Stock at the time the conversion price is fixed nor more than 25% above such market price, will be entitled upon redemption or upon voluntary dissolution, liquidation or winding up of the Corporation to an amount not less than \$3.25 nor more than \$5 per share above the initial public offering price with successive reductions thereafter until the initial public offering price is reached, plus accrued dividends in each case, and will not be entitled to the benefit of any purchase fund or sinking fund.

Public offering prices and underwriting discounts or commissions on the new debentures and on the initial series of Second Preferred Stock will depend upon conditions in the investment market immediately prior to the offering thereof and cannot be determined at this time. It is presently contemplated that underwriting discounts or commissions will amount to not more than 2% of the principal amount of the new debentures and not more than 6% of the par value of the initial series of Second Preferred Stock.

COMMISSIONS

By an agreement dated October 29, 1947, Sunray has agreed to pay to Eastman, Dillon & Co. for its services in originally conceiving a plan for the acquisition by Sunray of shares of Capital Stock of Pacific and for the merger, in initiating and conducting negotiations with respect thereto and in negotiating on behalf of Sunray for the sale of shares of Common Stock of Tide Water, in the event that the merger shall become effective, in 20 equal annual installments commencing on January 1, 1949, of \$87,700, without interest, an aggregate of \$1,754,000. By an agreement dated October 27, 1947, Sunray has agreed to pay to E. A. Parkford for his services in connection with the acquisition by Sunray of shares of Capital Stock of Pacific and the sale by Sunray of shares of Common Stock of Tide Water, in the event that the merger shall become effective, the amount of \$292,362, within 10 days after such effective date. The basis on which the aggregate amounts to be paid to Eastman, Dillon & Co. and E. A. Parkford, respectively, was determined was approximately \$1.50 per share and $25\frac{1}{2}\text{¢}$ per share, respectively, on the 1,169,449 shares of Capital Stock of Pacific to be purchased by Sunray from the trustees and Getty as set forth under the heading "Purchase by Sunray of Capital Stock of Pacific" and such amounts were determined through arm's-length negotiations.

Sunray is advised that as of October 1, 1947, various partners of Eastman, Dillon & Co., owned beneficially an aggregate of 74,768 shares of Common Stock of Sunray, 400 shares of Capital Stock of Mission and 4,300 shares of Common Stock of Skelly. By agreements made in 1944 and 1946, respectively, Sunray agreed to pay to Eastman, Dillon & Co. for its services in bringing about the mergers into Sunray of Darby Petroleum Corporation, a Delaware corporation (hereinafter called "Darby"), which was merged into Sunray on June 12, 1944, and Transwestern Oil Company, a Delaware corporation (hereinafter called "Transwestern"), which was merged into Sunray on August 2, 1946, respectively, in 10 equal annual installments and 15 equal annual installments, respectively, commencing on June 1, 1945, and September 1, 1946, respectively, of \$42,166.80 and \$16,666.67, respectively, without interest, an aggregate of \$421,668 and \$250,000, respectively, of which payments an aggregate of \$295,167.60 and \$216,666.66, respectively, remain to be paid. In connection with the financing of the mergers into Sunray of Darby and Transwestern, Eastman, Dillon & Co., received net underwriting discounts or commissions, after deducting dealers' concessions on sales to dealers, of \$59,710 and \$194,025, respectively. By an agreement dated August 2, 1946, Sunray granted to Eastman, Dillon & Co., for a total consideration of \$9,000, an option to purchase an aggregate of 90,000 shares of Common Stock of Sunray at \$10.875 per share if purchased on or before July 15, 1949, and \$11.875 per share if purchased thereafter and

on or before July 15, 1952, such number of shares and such prices to be subject to adjustment in certain events. As a result of the 5% Common Stock dividend to be paid on November 17, 1947, referred to above under the heading "Capitalization and Basis of Conversion", such number of shares will be increased to 93,839 and such prices will be decreased to \$10.43 and \$11.39, respectively. Such option was granted to Eastman, Dillon & Co. by the corporation to maintain the interest of Eastman, Dillon & Co., in the affairs of Sunray. Eastman, Dillon & Co. has assigned its rights under such agreement to, and such rights are now held by, the general partners and a former general partner of the firm.

As more fully set forth under the heading, "Purchase by Sunray of Capital Stock of Pacific", Eastman, Dillon & Co. has agreed, subject to certain conditions, to arrange for certain financing by Sunray, involving the sale of debentures, or debentures and notes, and an initial series of Second Preferred Stock, of Sunray. The debentures and the initial series of Second Preferred Stock will be purchased and offered to the public by a group of investment bankers and the notes, if any, will be privately placed. The extent of the participation of Eastman, Dillon & Co. in the underwriting of the debentures and the initial series of Second Preferred Stock cannot be determined at this time. Eastman, Dillon & Co. may receive a placement fee of not more than $\frac{1}{4}$ of 1% of the principal amount of the notes, if any, which are sold by Sunray.

COST OF MERGER

It is estimated that the aggregate cost to Sunray of the merger and the related transactions described above, exclusive of the cost of the purchase of shares of Capital Stock of Pacific, based upon the present intentions of the board of directors of Sunray as to financing set forth under the heading "Sale of Securities by Sunray", will be as follows:

Premium payable on redemption of Twenty Year 2 $\frac{7}{8}$ % Debentures, due July 1, 1966.....	\$ 750,000
Maximum difference between interest charges on funded debt to be refunded and interest charges on that part of the new funded debt which is applicable to such refunding, calculated over the respective terms of the issues to be refunded and assuming interim retirements of such issues in accordance with the applicable sinking fund or repayment provisions and proportional annual interim retirements of the new funded debt.....	260,000*
Maximum underwriting discounts or commissions.....	2,230,000
Compensation payable to Eastman, Dillon & Co., in 20 annual installments, without interest	1,754,000*
Compensation payable to E. A. Parkford.....	292,362
Other expenses in connection with the merger and the related financing, including expenses of registration under Securities Act of 1933, printing and engraving, fees of trustees, transfer agents, registrars, counsel, accountants and engineers, listing fees, etc.....	500,000

* Not discounted to present worth.

BUSINESSES OF PACIFIC, MISSION AND SKELLY

The following information concerning Pacific, Mission and Skelly has been furnished to Sunray by them.

Pacific

Pacific is engaged in the business of exploring, acquiring interests in and developing prospective and proven oil and gas lands, in the production, gathering and sale of crude oil and in the production and sale of natural gas. The production of natural gas constitutes an insignificant part of its business. It is currently producing crude oil and/or natural gas in the States of Arkansas, California, Kansas, Louisiana, Montana, New Mexico, Texas and Wyoming. It does not own or operate any refineries, natural gasoline plants, pipe lines (except those incidental to the gathering of crude oil from its wells and the disposition thereof) or marketing facilities.

Pacific owns 641,808 shares (approximately 47%) of the outstanding Capital Stock of Mission and 577,854 shares (approximately 9%) of the outstanding Common Stock of Tide Water.

Pacific also owns all of the outstanding capital stock of Getty Realty Corporation which owns and operates the Hotel Pierre, a 42-story luxury hotel, located at 61st Street and 5th Avenue, New York, N. Y.

The following tabulation shows Pacific's net production of crude oil (including the net production of George F. Getty, Inc., a Delaware corporation, prior to its merger into Pacific on May 31, 1946) during the last three years and the first eight months of 1947 (see Note) :

Year	Net Production (barrels)
1944.....	4,726,611
1945.....	4,200,741
1946.....	3,805,505
8 months	
1947.....	2,445,384

NOTE: Wherever used in this Proxy Statement, the term "net production of crude oil" means the particular corporation's share of the gross production from all wells in which it has an interest remaining after the deduction of royalty interests to others, i.e., such corporation's working interest, plus royalties which it owns, and the term "barrels" means barrels of 42 U. S. gallons.

Pacific estimates that during August, 1947, approximately 9% of its daily average net production was from wells under proration.

The following tabulation shows, as of August 31, 1947, the approximate acreage of Pacific's producing and non-producing oil and gas properties, the number of producing oil and gas wells thereon, and the location thereof by states (see Note) :

State	Acreage		Number of Producing Wells	
	Producing	Non-Producing	Oil	Gas
Arkansas	50	—	3	—
California	3,421	98,813	490	5
Colorado	—	51,823	—	—
Kansas	82	3,133	13	—
Louisiana	20	1,707	1	—
Montana	53	51,662	9	—
New Mexico.....	1,080	3,614	31	—
Texas	268	17,549	34	—
Wyoming	227	80,425	18	—
Utah	—	111,983	—	—
Totals	5,201	420,769	599	5

NOTE: Certain terms, as used in this Proxy Statement, are briefly defined as follows: "producing acreage" means the acreage of properties on which there are one or more producing wells; "producing wells" means wells which are currently producing; "mineral fee" acreage means land to which the mineral rights, but not the remaining property rights, are owned in fee; "working interest" means the interest of a lessee in the oil and gas produced; "royalty interest" means the interest of a lessor, or a part of such interest acquired by another, in the oil and gas produced.

In the above table, (a) acreage is computed as follows: (1) where the entire fee or mineral fee interest, or the entire working interest in leaseholds, is owned, the total acreage is included, (2) where only a fractional part of any interest described under (1) is owned, only a corresponding part of the total acreage is included, and (3) where only a royalty interest is owned, no part of the acreage is included; (b) the number of producing wells includes the total number of such wells on leases in which all or a part of the working interest is owned; producing wells on properties in which only a royalty interest is owned are not included; and (c) most of the leasehold acreage may be held as long as production may be obtained from such acreage; however, a few leases are for fixed terms of years irrespective of the production therefrom.

Pacific also owns approximately 4,227 acre per cents of royalties in producing lands and approximately 140,717 acre per cents of royalties in non-producing lands. An "acre per cent", stated pursuant to California custom, represents an interest equivalent to 1% of the gross production from one acre. Additional royalty interests are held in approximately 42 net royalty acres of producing lands and in 13,358 net royalty acres of non-producing lands.

Harold J. Wasson, Consulting Engineer, 25 Broadway, New York 4, N. Y. has made an examination and estimate of the oil and gas reserves of Pacific as of August 31, 1947. Mr. Wasson estimates that proved reserves

of Pacific are 42,060,000 barrels of crude oil, condensates and other liquids, of which he estimates that 87% is developed and the remainder is undeveloped, and 6,000,000,000 cubic feet of natural gas (apart from miscellaneous quantities closely associated with oil), all of which are developed.

Mission

Mission owns 582,657 shares (approximately 59%) of the outstanding Common Stock of Skelly Oil Company, a Delaware corporation (hereinafter called "Skelly") and 1,345,593 shares (approximately 21%) of the outstanding Common Stock of Tide Water.

Mission also owns an interest in a producing lease in Kansas, containing approximately 80 net acres, on which are located 9 producing oil wells and 1 producing gas well. These wells are operated by Skelly for the account of Mission.

Skelly

Skelly is engaged principally in the business of exploring, acquiring interests in and developing prospective and proven oil and gas lands, in the production, purchase, transportation, refining and sale of crude oil and the marketing at wholesale and retail of the products thereof, in the production, purchase, treatment and sale of casinghead gas, natural gas and the products thereof, in the sale of tires, batteries and other motorists' supplies, and in the sale and distribution at wholesale and retail of liquefied petroleum gas in steel cylinders and the sale of gas appliances.

Skelly owns all of the capital stock of Perry Petroleum Company, which owns and operates a refinery near Denver, Colorado, and of Skelco Products Company, which purchases automobile accessories and resells them to Skelly without profit or loss.

Skelly is currently producing crude oil in the States of Arkansas, Illinois, Indiana, Kansas, Louisiana, Mississippi, Montana, Nebraska, New Mexico, Oklahoma, Texas and Wyoming. It owns and operates three principal pipe line systems, one connecting certain oil fields in Kansas with its refinery at Eldorado, Kansas, another connecting certain oil properties in east Texas with its refinery at Longview, Texas, and a third collecting the oil from various properties in the Velma Field in southern Oklahoma. It owns and operates the two refineries mentioned above, which have daily crude oil throughput capacities of approximately 25,000 barrels and 6,000 barrels, respectively, and also, through its wholly-owned subsidiary, Perry Petroleum Company, a small refinery near Denver, Colorado which has a daily crude oil throughput capacity of approximately 1,500 barrels. It operates 13 natural gasoline plants in the States of Kansas, New Mexico, Oklahoma and Texas. It sells gasoline and other refined petroleum products, principally through jobbers and through its own bulk stations to retail dealers and to a minor extent through retail service stations operated by it. Such products are distributed principally in the States of Arkansas, Colorado, Kansas, Illinois, Indiana, Iowa, Louisiana, Michigan, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Wisconsin and Wyoming.

Skelly also owns 14.22% of the capital stock of Great Lakes Pipe Line Company, whose products pipeline system runs northward from Oklahoma into Kansas, Missouri, Iowa, Illinois, Minnesota, Wisconsin, Nebraska and North and South Dakota.

The following tabulation shows Skelly's net production of crude oil during the last three years and the first eight months of 1947 (see Note to table on page 9):

Year	Net Production (barrels)
1944.....	12,621,279
1945.....	12,683,449
1946.....	13,599,803
8 months	
1947.....	11,255,063

Skelly estimates that during August, 1947, approximately 83% of its daily average net production was from wells under proration.

The following tabulation shows, as of August 31, 1947, the approximate acreage of Skelly's producing and non-producing oil and gas properties, the number of producing oil and gas wells thereon and the location thereof by states (see Note to table on page 9) :

State	Acreage		Number of Producing Wells	
	Producing	Non-Producing	Oil	Gas
Alabama.....	—	93,212	—	—
Arkansas.....	2,448	25,892	67	3
Colorado.....	—	257,177	—	—
Illinois.....	2,046	16,312	98	—
Indiana.....	—	1,815	—	—
Kansas.....	27,677	213,508	673	46
Kentucky.....	—	2,495	—	—
Louisiana.....	1,863	103,454	209	15
Michigan.....	68	4,019	—	1
Mississippi.....	401	209,810	5	1
Missouri.....	1,806	262	—	—
Montana.....	307	25,098	9	—
Nebraska.....	1,664	688	17	—
New Mexico.....	18,310	102,587	209	3
Oklahoma.....	52,325	175,368	823	86
Texas.....	77,111	577,056	909	103
Utah.....	—	48,677	—	—
Wyoming.....	947	37,733	19	—
Totals.....	186,973	1,895,163	3,038	258

In addition, royalty interests are held in approximately 7,649 net royalty acres of producing lands. As to undeveloped lands, Skelly's records do not enable it to segregate working interests and royalty interests, and accordingly royalty interests in such lands are included in the computation of non-producing acreage in the above table.

De Golyer and MacNaughton, Petroleum Engineers, Dallas, Texas, have made an examination and estimate of the oil and gas reserves of Skelly as of October 1, 1947. They estimate that net proved reserves of Skelly are from 216,000,000 to 226,000,000 barrels of crude oil and condensates, and from 1,300,000,000,000 to 1,450,000,000,000 cubic feet of natural gas. Of these quantities, they estimate that of the crude oil and condensates, 72% is developed and the remainder is undeveloped and that of the natural gas, 80% is developed and the remainder is undeveloped.

DESCRIPTION OF PRIOR PREFERRED STOCK, SECOND PREFERRED STOCK AND COMMON STOCK OF SUNRAY

There are hereby incorporated by reference herein the Sections referred to below of Article Fourth of the amended Certificate of Incorporation of Sunray set forth in the Agreement of Merger, which contain certain provisions with respect to the Prior Preferred Stock of all series, the 1947 Prior Preferred Stock, the Second Preferred Stock of all series, and the Common Stock of Sunray. The term "Corporation" as used under this heading refers to Sunray.

PRIOR PREFERRED STOCK

The Prior Preferred Stock may be issued in one or more series and the Board of Directors is authorized to fix, with respect to each series (except 1947 Prior Preferred Stock), the designations, preferences and relative, participating, optional and other special rights of such series, and the qualifications, limitations or restrictions thereof, within the limits specified in the amended Certificate of Incorporation.

Dividend Rights

See Sections 1(b), 2 and 10(a).

Limitations in any Indentures or other Agreements on the Payment of Dividends

The indenture dated as of July 1, 1946, between the Corporation and Central Hanover Bank and Trust Company, as Trustee, under which the Corporation's Twenty Year 2 $\frac{7}{8}$ % Debentures were issued, provides, among other things, that the Corporation will not declare or pay or set aside any dividends (other than dividends payable in shares of capital stock of the Corporation) on any of its capital stock of any class or purchase, redeem or otherwise retire any shares of its capital stock of any class or make any other distribution (except in shares of its capital stock) in respect thereof, or permit any Subsidiary to purchase such capital stock, unless immediately thereafter and giving effect thereto, the aggregate amount of dividends declared and paid or payable on capital stock of the Corporation subsequent to December 31, 1945 (exclusive of dividends paid or payable in shares of capital stock of the Corporation) plus the aggregate amount used for such purchases, redemptions, retirements or other distributions subsequent to December 31, 1945, shall not exceed the aggregate of (a) consolidated net income (as defined in said indenture) subsequent to December 31, 1945, (b) \$1,000,000, (c) the aggregate net proceeds received by the Corporation from the issue and sale subsequent to December 31, 1945 of shares of stock of the Corporation, which net proceeds, to the extent that any thereof consists of property rather than cash, shall be taken at the fair value of such property as determined in good faith by the Board of Directors of the Corporation; and (d) the aggregate net proceeds received by the Corporation from the issue and sale of any funded indebtedness which subsequent to December 31, 1945 has been converted into shares of stock of the Corporation, which net proceeds, to the extent that any thereof consists of property rather than cash, shall be taken at the fair value of such property as determined in good faith by the Board of Directors of the Corporation; provided, however, that there shall be excluded from all of such computations the following: (i) all amounts expended for the purchase or redemption of 4 $\frac{1}{2}$ % Cumulative Convertible Preferred Stock of the Corporation called for redemption on July 17, 1946; (ii) all amounts of not more than \$100 per share expended for the purchase or redemption of not in excess of 255,000 shares of 4 $\frac{1}{4}$ % Cumulative Preferred Stock, Series A, of the Corporation within 90 days after the effective date of the agreement of merger dated May 28, 1946, providing for the merger of Transwestern Oil Company into the Corporation (which became effective on August 2, 1946); (iii) all proceeds received from the initial issuance of shares of said 4 $\frac{1}{4}$ % Cumulative Preferred Stock, Series A, pursuant to said agreement of merger; and (iv) all proceeds received from the original issuance of not in excess of 1,000,000 shares of Common Stock of the Corporation issued simultaneously with the delivery by the Trustee of Debentures. It is contemplated that on the effective date of the Agreement of Merger, the Corporation will deposit in trust with Central Hanover Bank and Trust Company, as Trustee, funds sufficient to redeem all such Twenty Year 2 $\frac{7}{8}$ % Debentures, together with irrevocable instructions to take such steps as may be necessary to effect the redemption of such debentures.

Substantially similar limitations on the payment of dividends are contained in the Loan Agreement dated July 23, 1946, between the Corporation and Central Hanover Bank and Trust Company under which the Corporation's 1 $\frac{7}{8}$ % Promissory Note was issued. It is contemplated that on the effective date of the Agreement of Merger such Note will be paid.

It is presently contemplated that the instruments defining the rights of holders of new debentures and/or notes referred to above under the heading "Purchase by Sunray of Capital Stock of Pacific" will contain certain restrictions on the payment of dividends on capital stock of the Corporation. The terms of such restrictions have not yet been and cannot now be determined; however, it is the present intention of the Board of Directors of the Corporation that such restrictions will be similar to those summarized above except that the date December 31, 1945, will be changed to December 31, 1946, the figure \$1,000,000 will be changed to \$3,000,000 and in lieu of the amounts to be excluded from any computations as set forth above, there will be substituted (a) the proceeds received from the initial issuance of shares of Prior Preferred Stock and Common Stock pursuant to the Agreement of Merger, and (b) the proceeds from the issuance on the effective date of the Agreement of Merger of shares of Second Preferred Stock.

Voting Rights

See Sections 5 and 6.

Liquidation Rights

See Sections 1(d), 4 and 10(c).

Conversion Rights

See Sections 1(e) and 9. The 1947 Prior Preferred Stock will have no conversion rights.

Redemption Provisions

See Sections 1(c), 3 and 10(b).

Sinking Fund Provisions

See Sections 1(f), 8 and 10(d).

Other Special Provisions

See Section 7.

Miscellaneous

The Prior Preferred Stock has no preemptive or subscription rights and when issued will not be liable to assessment or to further calls.

SECOND PREFERRED STOCK

The Second Preferred Stock may be issued in one or more series and the Board of Directors is authorized to fix, with respect to each series, the designations, preferences and relative, participating, optional and other special rights of such series, and the qualifications, limitations or restrictions thereof, within the limits specified in the amended Certificate of Incorporation.

Dividend Rights

See Sections 11(b) and 12.

Limitations in any Indentures or other Agreements on the Payment of Dividends

Reference is made to the sub-heading "Limitations in any Indentures or other Agreements on the Payment of Dividends" with respect to the Prior Preferred Stock for limitations also applicable to the Second Preferred Stock.

Voting Rights

See Sections 15 and 16.

Liquidation Rights

See Sections 11(d) and 14.

Conversion Rights

See Sections 11(e) and 19.

Redemption Provisions

See Sections 11(c) and 13.

Sinking Fund Provisions

See Sections 11(b) and 18.

Other Special Provisions

See Section 17.

Miscellaneous

The Second Preferred Stock has no preemptive or subscription rights, and when issued will not be liable to assessment or to further calls.

COMMON STOCK

Dividend Rights

See Section 20.

Limitations in any Indentures or other Agreements on the Payment of Dividends

Reference is made to the sub-heading "Limitations in any Indentures or other Agreements on the Payment of Dividends" with respect to the Prior Preferred Stock for limitations also applicable to the Common Stock.

Voting Rights

See Section 22.

Liquidation Rights

See Section 21.

Miscellaneous

The Common Stock has no conversion, preemptive or subscription rights and there are no redemption provisions applicable thereto. The Common Stock is not liable to assessment or to further calls.

Definitions provided in the amended Certificate of Incorporation

See Section 23.

AMENDMENT OF CERTIFICATE OF INCORPORATION OF SUNRAY

The Agreement of Merger provides that the Certificate of Incorporation of Sunray, as amended, shall, on the effective date of the Agreement of Merger, be further amended to read as set forth in the Agreement of Merger. The proposed amendments are limited to such as are deemed necessary to (a) authorize the Prior Preferred Stock and the Second Preferred Stock, (b) eliminate the old Preferred Stock, and (c) increase the number of authorized shares of Common Stock from 5,000,000 to 15,000,000.

BY-LAWS OF SUNRAY

The Agreement of Merger provides that the By-Laws of Sunray, as they shall exist on the effective date of the Agreement of Merger, shall remain the by-laws until altered, amended or repealed as therein provided.

RIGHTS OF DISSATISFIED STOCKHOLDERS

Section 61 of the General Corporation Law of the State of Delaware provides, among other things, that if any stockholder of a Delaware corporation which is a party to a merger who objected thereto in writing and whose shares were not voted in favor of such merger and who filed such written objection with the corporation

before the taking of the vote on such merger shall, within twenty days after the date on which the agreement of merger has been filed and recorded, demand in writing from the surviving corporation payment for his stock, then the surviving corporation shall, within thirty days after the expiration of such period of twenty days, pay to him the value of his stock on the date of the recording of the agreement of merger, exclusive of any element of value arising from the expectation or accomplishment of such merger; and that if during such thirty day period the corporation and such stockholder fail to agree as to the value of any such stock, any such stockholder or the surviving corporation may, by petition filed in the Court of Chancery within four months after the expiration of said thirty day period, demand a determination of the value of the stock of all such stockholders by an appraiser to be appointed by the Chancellor. A copy of said Section 61 is set forth in full as Exhibit B-1 hereto.

Section 41 of the General Corporation Law of the State of Nevada, as amended, provides, among other things, that if any stockholder of any corporation of any state which is a party to a merger under that law shall vote against the agreement of merger and shall, at or prior to the taking of the vote thereon, object thereto in writing, and shall also, within twenty days after the date on which the agreement of merger is filed, demand in writing from the surviving corporation payment of his shares, then the surviving corporation shall, within thirty days thereafter, pay to such stockholder the fair cash value of his shares as of the day before the vote on the agreement of merger was taken, exclusive of any element of value arising from the expectation or accomplishment of such merger; and that if within thirty days after the date such written demand is served upon the surviving corporation, the stockholder and the surviving corporation fail to come to an agreement as to the fair cash value of said shares, the stockholder, provided he has complied with the conditions above referred to, may appeal by petition to the Second Judicial District Court of the State of Nevada to appoint three appraisers to appraise the fair cash value of such stockholder's shares. A copy of said Section 41 is set forth in full as Exhibit B-2 hereto.

Voting against, or a direction in a proxy to vote against, the adoption of the Agreement of Merger, will not constitute an objection in writing, as required by Section 61 of the General Corporation Law of the State of Delaware and Section 41 of the General Corporation Law of the State of Nevada. Notice of the date on which the Agreement of Merger has been filed and recorded will be mailed, within ten days after such date, to all stockholders of record of Sunray who may have objected thereto in writing within the time and in the manner required by said Sections, at their addresses as shown on the records of the corporation.

MARKET PRICES OF STOCKS

The Common Stock of Sunray is listed on the New York Stock Exchange and the Los Angeles Stock Exchange. The high and low sales prices of the Common Stock of Sunray for each quarterly period during the two years ended September 30, 1947, were as follows:

1945	New York Stock Exchange		Los Angeles Stock Exchange	
	High	Low	High	Low
Fourth Quarter	9⅓	6	9	6⅓
1946				
First Quarter	9¼	7⅝	9¼	7¾
Second Quarter	14	8⅞	14	8⅞
Third Quarter	12¾	8⅓	12½	8⅓
Fourth Quarter	9¼	7⅝	9	7⅝
1947				
First Quarter	10¼	7⅞	10⅓	7⅞
Second Quarter	10⅝	8½	10¼	8½
Third Quarter	12⅝	10⅓	12½	10¼

The Capital Stock of Pacific is listed on the New York Stock Exchange, the Los Angeles Stock Exchange and the San Francisco Stock Exchange. The high and low sales prices of such stock for each quarterly period during the two years ended September 30, 1947, were as follows:

1945	New York Stock Exchange		Los Angeles Stock Exchange		San Francisco Stock Exchange	
	High	Low	High	Low	High	Low
Fourth Quarter	327⁄8	23	315⁄8	24½	25	25
1946						
First Quarter	31½	23¾	30	30	No sales	
Second Quarter	345⁄8	29½	325⁄8	303⁄8	30	30
Third Quarter	29½	201⁄8	293⁄8	293⁄8	No sales	
Fourth Quarter	23½	18¼	211⁄8	211⁄8	No sales	
1947						
First Quarter	285⁄8	21¾	27½	22½	26½	26½
Second Quarter	375⁄8	27½	37¼	321⁄8	367⁄8	29½
Third Quarter	48¾	34	46½	37	48	37

The Capital Stock of Mission is listed on the New York Stock Exchange. The high and low prices of such stock for each quarterly period during the two years ended September 30, 1947, were as follows:

1945	High	Low
Fourth Quarter	37	26 $\frac{1}{2}$
1946		
First Quarter	37 $\frac{1}{4}$	29 $\frac{1}{8}$
Second Quarter	44	36 $\frac{5}{8}$
Third Quarter	43	28
Fourth Quarter	35 $\frac{3}{4}$	28
1947		
First Quarter	34 $\frac{1}{2}$	28 $\frac{3}{4}$
Second Quarter	37 $\frac{1}{4}$	30 $\frac{1}{2}$
Third Quarter	44 $\frac{3}{4}$	36 $\frac{1}{2}$

The Common Stock of Skelly is listed on the New York Stock Exchange. The high and low sales prices of such stock for each quarterly period during the two years ended September 30, 1947, were as follows:

1945	High	Low
Fourth Quarter	65 $\frac{1}{8}$	48
1946		
First Quarter	72 $\frac{1}{2}$	54
Second Quarter	85 $\frac{1}{2}$	71
Third Quarter	80 $\frac{1}{2}$	58 $\frac{1}{2}$
Fourth Quarter	74 $\frac{1}{2}$	56
1947		
First Quarter	72 $\frac{1}{2}$	65
Second Quarter	73 $\frac{1}{2}$	65 $\frac{1}{4}$
Third Quarter	88 $\frac{1}{4}$	71

The Common Stock of Tide Water is listed on the New York and San Francisco Stock Exchanges. The high and low sales prices of such stock for each quarterly period during the two years ended September 30, 1947, were as follows:

1945	New York —Stock Exchange—		San Francisco —Stock Exchange—	
	High	Low	High	Low
Fourth Quarter	25	18 $\frac{5}{8}$	24 $\frac{3}{8}$	18 $\frac{7}{8}$
1946				
First Quarter	22 $\frac{3}{4}$	18 $\frac{5}{8}$	22 $\frac{3}{4}$	19
Second Quarter	24 $\frac{1}{8}$	21 $\frac{3}{4}$	24	21 $\frac{3}{4}$
Third Quarter	24 $\frac{1}{8}$	18 $\frac{1}{8}$	24	18 $\frac{1}{4}$
Fourth Quarter	20 $\frac{1}{4}$	17 $\frac{1}{2}$	20 $\frac{1}{8}$	17 $\frac{1}{2}$
1947				
First Quarter	20 $\frac{1}{4}$	18 $\frac{1}{4}$	20 $\frac{1}{8}$	18 $\frac{1}{4}$
Second Quarter	20 $\frac{5}{8}$	18	20 $\frac{1}{2}$	18 $\frac{1}{8}$
Third Quarter	22	19 $\frac{5}{8}$	22	19 $\frac{7}{8}$

Prior to the close of business on November 1, 1947, the last sale price of (a) the Common Stock of Sunray on the New York Stock Exchange was 10 $\frac{5}{8}$ (last sale November 1) and on the Los Angeles Stock Exchange was 10 $\frac{5}{8}$ (last sale November 1), (b) the Capital Stock of Pacific on the New York Stock Exchange was 55 (last sale November 1), on the Los Angeles Stock Exchange was 57 (last sale October 31), and on the San Francisco Stock Exchange was 57 (last sale October 31), (c) the Capital Stock of Mission on the New York Stock Exchange was 50 $\frac{1}{2}$ (last sale November 1), (d) the Common Stock of Skelly on the New York Stock Exchange was 98 (last sale November 1) and (e) the Common Stock of Tide Water on the New York Stock Exchange was 23 $\frac{1}{8}$ (last sale November 1) and on the San Francisco Stock Exchange was 23 $\frac{7}{8}$ (last sale October 29).

The sources of the above quotations are the Bank and Quotation Record and the Commercial and Financial Chronicle.

The old Preferred Stock of Sunray is not listed on any securities exchange. The bid and asked prices of such stock on the over-the-counter market during the third quarter of 1947 ranged, as to bid prices, from a high of 94 to a low of 87 $\frac{1}{2}$ and as to asked prices, ranged from a high of 95 $\frac{1}{2}$ to a low of 88 $\frac{1}{2}$. The bid and asked prices of such stock on the over-the-counter market at the close of business on November 1, 1947, were quoted by two firms at 90 bid, 91 $\frac{1}{2}$ asked and by one firm at 90 $\frac{1}{4}$ bid, 91 $\frac{1}{4}$ asked. The source of the foregoing quotations was quotation sheets published by the National Quotation Bureau, Inc.

Attention is directed to the fact that the prices of the Capital Stocks of Pacific and Mission shown above are based on sales made during a period when Pacific and Mission received income from dividends on the shares of Common Stock of Tide Water now owned by them, all of which are to be sold to Tide Water on the effective date of the Agreement of Merger as set forth under the heading "Sale of Securities by Sunray".

INTERESTS OF DIRECTORS AND OFFICERS OF SUNRAY AND THEIR ASSOCIATES

So far as Sunray is advised, no director or officer of Sunray, and no associate (as that term is defined in Regulation X-14 of the Securities and Exchange Commission) of any director or officer, has any interest, direct or indirect, in any matter to be acted upon at the meeting, except in so far as the ownership by such persons of securities of the Constituent Corporations or of Skelly might be deemed to create such an interest. There is set forth below the number of shares of stock of the Constituent Corporations and of Skelly owned

beneficially, directly or indirectly, as of October 1, 1947, by the directors and officers of Sunray and, in footnotes, by their associates, as furnished by them:

Name	Number of Shares Beneficially Owned as of October 1, 1947				
	Sunray Old Preferred Stock	Sunray Common Stock	Pacific Capital Stock	Mission Capital Stock	Skelly Common Stock
L. W. Bennett.....	None	900	None	None	None
Thomas W. Bowers.....	None	1,800	None	None	None
James K. Ellis.....	276	1,000	None	None	None
W. D. Forster.....	None	1,000	None	None	None
S. P. Gray.....	None	120	None	None	None
Edward Howell	153	25,572(1)	None	None	None
F. L. Martin.....	None	10,400	None	None	None
H. S. McClintock.....	None	1,000	None	None	None
F. B. Parriott.....	None	5,402(2)	None	None	None
Alfred L. Rose.....	None	11,807(3)	None	None	None(3)
A. A. Seeligson.....	4,289(4)	1,000(4)	None	210(4)	None
Glenn J. Smith.....	None	18,125	None	None	None
Paul E. Taliaferro.....	None(5)	12,633	None	None	None
C. F. Urschel.....	213(6)	500	None	69(6)	None
C. H. Wright.....	None(7)	43,438(7)	None	None	None

NOTES:

- (1) Associates of Mr. Howell owned beneficially an aggregate of 3,198 shares of Common Stock of Sunray.
- (2) Associates of Mr. Parriott owned beneficially an aggregate of 37,550 shares of Common Stock of Sunray.
- (3) Associates of Mr. Rose owned beneficially an aggregate of 28,438 $\frac{1}{4}$ shares of Common Stock of Sunray and 200 shares of Common Stock of Skelly.
- (4) Associates of Mr. Seeligson owned beneficially an aggregate of 2,675 shares of old Preferred Stock of Sunray, 1,600 shares of Common Stock of Sunray and 500 shares of Capital Stock of Mission.
- (5) An associate of Mr. Taliaferro owned beneficially an aggregate of 606 shares of old Preferred Stock of Sunray. This associate is also an associate of Mr. Wright.
- (6) Associates of Mr. Urschel owned beneficially an aggregate of 20,445 shares of old Preferred Stock of Sunray and 5 shares of Capital Stock of Mission.
- (7) Associates of Mr. Wright owned beneficially an aggregate of 606 shares of old Preferred Stock of Sunray as referred to in (5) above and 58 shares of Common Stock of Sunray.

The foregoing figures as to ownership of Common Stock of Sunray exclude shares issuable in payment of the 5% Common Stock dividend to be paid on November 17, 1947, referred to above under the heading "Capitalization and Basis of Conversion."

Sunray is advised that no director or officer of Sunray and no associate of any such person, owned beneficially, directly or indirectly, as of October 1, 1947, any of the Twenty Year 2 $\frac{7}{8}$ % Debentures, due July 1, 1966, of Sunray or any of the Twenty Year 2 $\frac{3}{4}$ % Debentures, due July 1, 1965, of Skelly.

DISCRETIONARY AUTHORITY

The discretionary authority conferred by the enclosed form of Proxy to vote for the rejection of the Agreement of Merger, even if the stockholder executing the proxy shall have instructed that his shares be voted for the adoption of the Agreement of Merger, is deemed necessary to enable the proxy to be so voted in the event that (a) there should be any material change in the affairs of any of the Constituent Corporations, which, in the opinion of the management, would make the basis of the merger unfair or (b) the number of shares held by stockholders of any of the Constituent Corporations objecting to the merger would, in the opinion of the management, make the consummation of the merger inadvisable.

MISCELLANEOUS

At the request of the Anti-Trust Division of the Department of Justice, information has been furnished to it to enable it to form an opinion as to the effect of the Anti-Trust laws on the proposed transactions described herein and the matter is now under consideration by it.

The management does not know of any matters to be brought before the meeting other than those set forth in paragraph 1 of the notice thereof. However, if any other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their judgment on such matters.

The cost of soliciting proxies from the stockholders of Sunray will be borne by Sunray. In addition to the use of the mails, proxies may be solicited by personal interview, telephone and telegraph, and it is anticipated that banks, brokerage houses and other custodians, nominees or fiduciaries will be requested to forward the soliciting material to their principals and to obtain authorizations for the execution of proxies and will be reimbursed for their out-of-pocket expenses incurred in connection therewith. Sunray has retained Georgeson & Co., 52 Wall Street, New York, N. Y., to assist in the solicitation of proxies by such methods. Georgeson & Co. is to receive for such services a fee of \$6,500 plus out-of-pocket expenses and disbursements. Approximately 50 persons to be selected by Georgeson & Co. as assistants will be engaged for limited periods to solicit proxies. Directors, officers and not more than 10 regular employees of Sunray may also solicit proxies by such methods without additional remuneration therefor. Sunray estimates that the aggregate of all fees, salaries, compensation and expenses, other than expenses for printing and mailing, that will be incurred in connection with such solicitation will be approximately \$15,000.

David T. Staples, President and a director of both Pacific and Mission, Emil Kluth, Vice-President of Pacific and a director of Mission, Fero Williams, Treasurer and a director of Pacific and a director of Mission, O. M. Evans, Vice-President of Pacific, and Charles F. Krug, Secretary of Pacific, are expected to be associated with Sunray as employees at substantially their present salaries. Mr. Staples' present aggregate salary from Pacific and Mission is \$27,500. The salary of none of the others is in excess of \$15,000.

FINANCIAL STATEMENTS

There are annexed hereto as Exhibit C-1 financial statements of Sunray, as Exhibit C-2 financial statements of Transwestern, as Exhibit C-3 financial statements of Darby, as Exhibit D-1 financial statements of Pacific, as Exhibit D-2 financial statements of Getty Realty Corporation (a wholly-owned subsidiary of Pacific), as Exhibit D-3 financial statements of George F. Getty, Inc. (a Delaware corporation which was merged into Pacific on May 31, 1946), as Exhibit E-1 financial statements of Mission, as Exhibit E-2 consolidated financial statements of Skelly and its subsidiaries and as Exhibit F pro forma financial statements of Sunray. Further financial statements of Sunray are on file at the office of the Securities and Exchange Commission, Philadelphia, Pa., and at the offices of the New York Stock Exchange and the Los Angeles Stock Exchange; further financial statements of Pacific are on file at the offices of the Securities and Exchange Commission, the New York Stock Exchange, the Los Angeles Stock Exchange and the San Francisco Stock Exchange; and further financial statements of Mission and Skelly are on file at the offices of the Securities and Exchange Commission and the New York Stock Exchange.

Attention is directed to the facts that (a) the financial statements of Transwestern include direct net income from royalty interests which were sold to Transwestern Royalty Company immediately prior to the merger on August 2, 1946, of Transwestern into Sunray and (b) the financial statements of Pacific and Mission include income from dividends on the shares of Common Stock of Tide Water now owned by them, all of which are to be sold to Tide Water on the effective date of the Agreement of Merger as set forth under the heading "Sale of Securities by Sunray."

By order of the Board of Directors.

W. D. FORSTER,
Secretary.

Tulsa, Oklahoma,
November 5, 1947.

AGREEMENT OF MERGER

BETWEEN

SUNRAY OIL CORPORATION

(a Delaware corporation)

and a majority of its directors,

PACIFIC WESTERN OIL CORPORATION

(a Delaware corporation)

and a majority of its directors,

AND

MISSION CORPORATION

(a Nevada corporation)

and a majority of its directors.



Merging pursuant to Section 59 of the General Corporation Law of the State of Delaware and Section 39 of the General Corporation Law of the State of Nevada into Sunray Oil Corporation as the Surviving Corporation.

AGREEMENT OF MERGER, dated the 18th day of October, 1947, by and between SUNRAY OIL CORPORATION, a Delaware corporation (hereinafter sometimes called "Sunray"), and a majority of the directors thereof, parties of the first part, PACIFIC WESTERN OIL CORPORATION, a Delaware corporation (hereinafter sometimes called "Pacific"), and a majority of the directors thereof, parties of the second part, and MISSION CORPORATION, a Nevada corporation (hereinafter sometimes called "Mission"), and a majority of the directors thereof, parties of the third part, WITNESSETH:

WHEREAS, Sunray is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on February 15, 1929, under the General Corporation Law of the State of Delaware, and has an authorized capital stock consisting of 470,000 shares of Preferred Stock, of the par value of \$100 each, issuable in series, of which on October 1, 1947, 270,000 shares of 4¼% Cumulative Preferred Stock, Series A (hereinafter sometimes called "old Preferred Stock of Sunray"), were issued and outstanding, including 8,106.4 shares held in the treasury of Sunray which are to be retired prior to the effective date of this agreement, and 5,000,000 shares of Common Stock, of the par value of \$1 each, of which on October 1, 1947, 4,671,185.8 shares were issued and outstanding, including 28,615.525 shares held in the treasury of Sunray; and

WHEREAS, Pacific is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on November 10, 1928, under the General Corporation Law of the State of Delaware, and has an authorized capital stock consisting of 2,000,000 shares of capital stock, of the par value of \$10 each (hereinafter sometimes called "Capital Stock of Pacific"), of which on October 1, 1947, 1,376,430 shares were issued and outstanding, including 4,700 shares held in the treasury of Pacific; and

WHEREAS, Mission is a corporation duly organized and existing under the laws of the State of Nevada, having been incorporated on December 31, 1934, under the General Corporation Law of the State of Nevada, and has an authorized capital stock consisting of 1,500,000 shares of capital stock, of the par value of \$10 each (hereinafter sometimes called "Capital Stock of Mission"), of which on October 1, 1947, 1,379,545 shares were issued and outstanding, including 5,400 shares held in the treasury of Mission and 641,808 shares owned by Pacific; and

WHEREAS, a majority of the directors of each of said corporations deems it advisable that said corporations merge, and said corporations, respectively, desire that they merge, under the General Corporation Law of the State of Delaware and the General Corporation Law of the State of Nevada:

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, provisions, covenants and grants herein contained, the parties hereto hereby agree, in accordance with the provisions of the General Corporation Law of the State of Delaware and the General Corporation Law of the State of Nevada, that Sunray, Pacific and Mission shall be, and they hereby are, merged into a single corporation existing under the laws of the State of Delaware, to wit, Sunray, one of the parties hereto, and that Sunray shall merge, and it does hereby merge, into itself, Pacific and Mission and Pacific and Mission shall merge, and they do hereby merge, themselves into Sunray; and that the terms and conditions of the merger hereby agreed upon (hereinafter sometimes called the "merger") and the mode of carrying the same into effect and the manner of converting the shares of each of said constituent corporations into shares of the surviving corporation, are and shall be as hereinafter set forth; and that the Certificate of Incorporation, as amended, of Sunray shall, on the effective date of this agreement, be and be deemed to be further amended as hereinafter set forth.

ARTICLE I.

Except as herein otherwise specifically set forth, the name, identity, existence, purposes, powers, franchises, rights and immunities of Sunray shall continue unaffected and unimpaired by the merger, and the corporate identities, existence, purposes, powers, franchises, rights and immunities of Pacific and Mission shall be merged into Sunray and Sunray shall be fully vested therewith. The respective organizations of Pacific and Mission, except in so far as they may be continued by statute, shall cease as soon as this agreement shall become effective, and thereupon Sunray, Pacific and Mission shall become a single

corporation, existing under the laws of the State of Delaware, to wit, Sunray, one of the parties hereto. Sunray, Pacific and Mission are hereinafter sometimes called the "Constituent Corporations", Sunray as the single corporation which shall survive the merger is hereinafter sometimes called the "Surviving Corporation", and the date upon which the Constituent Corporations shall so become said single corporation is herein sometimes called the "effective date of this agreement".

ARTICLE II.

The Certificate of Incorporation of the Surviving Corporation, as amended, shall, on the effective date of this agreement, be and be deemed to be further amended to read as follows (the term "Corporation" as used in this Article referring to the "Surviving Corporation") :

FIRST: The name of the Corporation is Sunray Oil Corporation.

SECOND: The principal office of the Corporation in the State of Delaware is located at No. 100 West Tenth Street, in the City of Wilmington, County of New Castle. The name and address of its resident agent is The Corporation Trust Company, No. 100 West Tenth Street, Wilmington, Delaware.

THIRD: The nature of the business of the Corporation and the objects and purposes to be transacted, promoted or carried on by it are :

1. To buy, lease, hire, contract for, invest in, and otherwise acquire, and to own, hold, maintain, equip, operate, manage, mortgage, deal in and with, and to sell, lease, exchange and otherwise dispose of oil, gas, mineral and mining lands, wells, mines, quarries, leases, rights, royalties, claims, locations, patents, concessions, easements, rights of way, and franchises, real property, and all interests therein, and lands containing or believed to contain petroleum, mineral, animal, vegetable and other oils, asphaltum, natural gas, gasoline, naphthene, oil shales, sulphur, salt, clay, coal, minerals, mineral substances, metals, ores of every kind, or other mineral or volatile substances, and the stocks, bonds, notes, debentures, evidences of indebtedness, or obligations of corporations, companies, associations, trusts, organizations, firms, or individuals engaged in any similar business or otherwise, and to carry on in all its branches the business of exploring and drilling for, producing, gathering, storing, transporting, refining, distributing, marketing, selling and dealing in and with petroleum, mineral, animal, vegetable and other oils, asphaltum, natural gas, gasoline, naphthene, oil shales, sulphur, salt, clay, coal, minerals, mineral substances, metals, ores of every kind, or other mineral or volatile substances and products, by-products and derivatives thereof.

2. To produce, gather, refine, buy, contract for, invest in, and otherwise acquire, and to store, own, hold, mortgage, deal in and with, and to market, sell, exchange, and otherwise dispose of, and to transport, distribute, import and export petroleum, mineral, animal, vegetable, and other oils, asphaltum, natural gas, gasoline, naphthene, oil shales, sulphur, salt, clay, coal, minerals, mineral substances, metals, ores of every kind, or other mineral or volatile substances, and products, by-products and derivatives thereof.

3. To build, construct, buy, lease, hire, contract for, invest in, and otherwise acquire, and to own, hold, maintain, equip, operate, manage, mortgage, and deal in and with, and to sell, lease, exchange and otherwise dispose of, refineries, factories, plants, works, buildings, houses, machinery, equipment, appliances, tanks, reservoirs, warehouses, storage facilities, elevators, terminals, markets, docks, piers, wharves, drydocks, bulkheads, pipe lines, pumping stations, tank cars, trams, automobiles, trucks, cars, tankers, ships, tugs, lighters, barges, boats, vessels, aircraft and any other vehicles or craft for land, water or air transportation, for prospecting, exploring, and drilling for, producing, gathering, manufacturing, refining, treating, storing, transporting, handling, distributing, marketing, importing and exporting, petroleum, mineral, animal, vegetable and other oils, asphaltum, natural gas, gasoline, naphthene, oil shales, sulphur, salt, clay, coal, minerals, mineral substances, metals, ores of every kind, or other mineral or volatile substances, and products, by-products and derivatives thereof, hotels, and all property of every kind and character, to the extent that the same is or may be authorized by the laws of Delaware, and by the laws of any jurisdiction wherein any such property is located.

4. To the extent permitted by law, to build, construct, buy, lease, hire, contract for, invest in and otherwise acquire, and to own, hold, maintain, equip, operate, manage, mortgage, and deal in and with, and to sell, lease, exchange, and otherwise dispose of, railroads, tramways, turnpikes, runways, canals, and other means of land, water or air transportation, construction and repair shops and plants, irrigation, sewage, heat, light and power plants and systems, bridges, dams, embankments, reservoirs, ditches, reclamation, drainage, and sanitary works and systems, and water rights, works and systems, useful or advisable, in the judgment of the Board of Directors of this Corporation, for its business.

5. To prospect, explore, drill and bore for, and to extract, produce, mine, mill, separate, convert, smelt, concentrate, evaporate, purify, skim, refine, reduce, crack, sweat, or treat in any manner or by any process whatsoever, blend, compound, manufacture, gather, store, transport, handle, distribute, market, buy, sell and deal in and with petroleum, mineral, animal, vegetable, and other oils, asphaltum, natural gas, gasoline, naphthene, oil shales, sulphur, salt, clay, coal, minerals, mineral substances, metals, ores of every kind, or other mineral or volatile substances, and products, by-products and derivatives thereof.

6. To do engineering and contracting, and to design, construct, drill, bore, sink, develop, improve, extend, maintain, operate and repair, wells, mines, plants, works, machinery, equipment, appliances, storage and transportation lines and systems, for this Corporation and for others.

7. To the extent permitted by law, to build, construct, buy, lease, hire, contract for, invest in, and otherwise acquire, and to own, hold, maintain, equip, operate, manage, mortgage, and deal in and with, and to sell, lease, exchange and otherwise dispose of, telegraph, telephone, radio and transportation lines, plants and systems, by air, land or water, useful or advisable, in the judgment of the Board of Directors of this Corporation, for its business.

8. To organize corporations, companies, associations, trusts, or organizations, under the laws of any state, district, territory, nation, province, or government, and to sell, exchange, convey, assign, transfer, deliver and otherwise dispose of, to such corporations, companies, associations, trusts, or organizations, any part of the property, assets and effects of this Corporation, less than the whole thereof, in exchange for the capital stock, bonds, notes, debentures or other securities, evidences of indebtedness or obligations of such corporations, companies, associations, trusts, or organizations, upon such terms and conditions as the Board of Directors shall determine.

9. To organize or cause to be organized under the laws of any state, district, territory, nation, province or government, corporations, companies, associations, trusts, or organizations for the purpose of accomplishing any or all of the objects for which this Corporation is organized, and to dissolve, wind up, liquidate, merge or consolidate the same, or cause the same to be dissolved, wound up, liquidated, merged or consolidated, and to organize, incorporate and reorganize corporations, companies, associations, trusts, or organizations, for any purpose permitted by law.

10. To subscribe to, buy, invest in, and otherwise acquire, to own, hold, deal in and with, and to sell, exchange, transfer, mortgage, pledge, hypothecate, or otherwise dispose of, the stocks, bonds, notes, debentures or other evidences of indebtedness or obligations of any individual, firm, corporation, company, association, trust, or organization, or of any private, public, quasi-public, or municipal corporation, domestic or foreign, or of any domestic or foreign state, government or governmental authority, or of any political or administrative subdivision or department thereof; and all trust, participation or other certificates of or receipts evidencing interest in any such securities; and, while the owner of any such stocks, bonds, notes, debentures, evidences of indebtedness, obligations, certificates or receipts, to exercise all the rights, powers and privileges of ownership, including the right to vote thereon for any and all purposes; and to loan money, and to take notes, open accounts and other similar evidences of debt as collateral security therefor.

11. To guarantee the payment of dividends on, or the payment of the principal of, or interest on, any stocks, bonds, notes, debentures, or other securities, evidences of indebtedness or obligations of any individual, firm, corporation, company, association, trust, or organization in which this

Corporation has an interest as stockholder, creditor or otherwise, or whose shares or securities it owns; to become surety for, and to guarantee the carrying out or performance of contracts, of every kind and character, of any individual, firm, corporation, company, association, trust or organization in which this Corporation has an interest as stockholder, creditor or otherwise, or whose shares or securities it owns.

12. To aid, by loan, subsidy, guaranty, or in any lawful manner whatsoever, any individual, firm, corporation, company, association, trust, or organization whose stocks, bonds, notes, debentures or other securities or evidences of indebtedness or obligations are in any manner directly or indirectly held or guaranteed by this Corporation, or by any corporation in which this Corporation may have an interest as stockholder, creditor, guarantor, or otherwise, or whose shares or securities it owns, and to do any and all lawful acts and things designed to protect, preserve, improve or enhance the value of any stocks, bonds, notes, debentures or other securities, or evidences of indebtedness or obligations of any individual, firm, corporation, company, association, trust or organization in which this Corporation has an interest as stockholder, guarantor, creditor, or otherwise, or whose shares or securities it owns, and to lend money with or without collateral security.

13. To buy, lease, contract for, invest in, and otherwise acquire, and to own, hold, mortgage and deal in and with, and to sell, lease, exchange, transfer, convey and otherwise dispose of, rights and interests of every character and description, in or to or relating to, petroleum, mineral, animal, vegetable and other oils, asphaltum, natural gas, gasoline, naphthene, oil shales, sulphur, salt, clay, coal, minerals, mineral substances, metals, ores, or any other mineral or volatile substances, and in or to or relating to lands containing or believed to contain any of such substances, and leases, grants and contracts relating thereto, and relating to rights and interests of every character and description.

14. To manufacture, produce, buy, lease, hire, contract for, invest in, and otherwise acquire, and to own, hold, maintain, equip, mortgage and deal in and with, and to sell, lease, exchange, and otherwise dispose of, and to transport, import and export personal property of every character and description, without limit as to amount or value, in any part of the world, and any interest or right therein.

15. To buy, lease, contract for, invest in, and otherwise acquire, and to own, hold, maintain, equip, manage, improve, develop, mortgage, and deal in and with, and to sell, lease, exchange, transfer, convey and otherwise dispose of, real property, concessions, grants, land patents, franchises, easements, and rights of way, without limit as to amount or value, in any part of the world, and any royalty or other interest or right therein.

16. To manufacture, produce, construct, convert, buy, lease, hire, contract for, invest in, and otherwise acquire, and to hold, own, maintain, equip, operate, mortgage, and deal in and with, and to sell, lease, exchange and otherwise dispose of, export and import goods, wares, merchandise, machinery, equipment, appliances, materials and products of every kind and description, and do manufacturing and merchandising of every kind, and to carry on a general mercantile and commercial business in any part of the world.

17. To buy, lease, hire, contract for, invest in, and otherwise acquire, any property, real or personal, which it may deem desirable for the purpose of its business for cash, or otherwise, and to issue its stocks, bonds, notes, debentures or other securities or evidences of indebtedness or obligations in payment therefor.

18. To sell, lease, exchange, convey, mortgage, transfer, assign and deliver, and otherwise dispose of, any part of the property, assets and effects of this Corporation, less than the whole thereof, and receive in payment therefor stocks, bonds, notes, debentures, or other securities or evidences of indebtedness or obligations of any individual firm, corporation, company, association, trust or organization, on such terms and conditions as the Board of Directors of this Corporation shall determine.

19. To purchase or acquire in any manner the stocks, bonds, notes, debentures or other securities or evidences of indebtedness, or obligations of any individual, firm, corporation, company, association, trust, or organization, and to issue its stocks, bonds, notes, debentures, or other securities or evidences

of indebtedness or obligations in payment therefor, on such terms and conditions as the Board of Directors of this Corporation shall determine.

20. To purchase or otherwise acquire shares of its own capital stock, bonds, notes, debentures, or other obligations, and to hold, sell, exchange, mortgage, pledge, hypothecate, or otherwise dispose of or retire the same, provided that this Corporation shall not use any of its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of the capital of this Corporation, and provided, further, that the shares of its own capital stock belonging to this Corporation shall not be voted directly or indirectly.

21. To apply for, obtain, register, purchase, lease, or otherwise acquire, and hold, own, use, operate, introduce, sell, exchange, lease, assign, pledge, or otherwise dispose of, deal in, turn to account, or contract with reference to, any and all copyrights, trade-marks, trade names, labels, designs, brands, patents, and applications therefor, licenses, inventions, improvements, concessions, apparatus, appliances, formulae, and processes, used in connection with or secured under letters patent of the United States, or elsewhere, or otherwise; and to use, exercise, develop, grant licenses in respect of, or otherwise turn to account, any such copyrights, trade-marks, trade names, labels, designs, brands, patents, applications, licenses, inventions, improvements, concessions, apparatus, appliances, formulae, processes and the like, or any property, right, or information in connection therewith; and to grant and issue licenses or sublicenses, partial, exclusive, or territorial, under or in respect of any and all such copyrights, trade-marks, trade names, labels, designs, brands, patents, applications, licenses, inventions, improvements, concessions, apparatus, appliances, formulae and processes.

22. To borrow money for its corporate purposes, and to draw, make, accept, endorse, execute and issue bonds, notes, debentures, bills of exchange, warehouse receipts, warrants and other negotiable instruments and obligations, and in order to secure the same, or any of its contracts or obligations, to convey, transfer, assign, mortgage, pledge and deliver all or any part of the property of this Corporation upon such terms and conditions as the Board of Directors shall determine.

23. To make, perform and carry out contracts of every kind made for any lawful purpose with, and to act as agent, representative or factor for, any individual, firm, corporation, company, association, trust, or organization, or any public, quasi-public, or municipal corporation, domestic or foreign, or any domestic or foreign state, government or governmental authority or agency.

24. To purchase, or otherwise acquire, the whole or any part of the property, assets, business, good will, rights and franchises of any individual, firm, corporation, company, association, trust, or organization; to assume the whole or any part of the bonds, mortgages, franchises, leases, contracts, indebtedness, guarantees, liabilities and obligations of any individual, firm, corporation, company, association, trust, or organization, or give guarantees in respect thereof; and to hold or in any manner dispose of the whole or any part of the property, assets, business, good will, rights and franchises so purchased or acquired, and to conduct and manage, in any lawful manner, the whole or any part of any business so purchased or acquired, and to exercise all the powers, necessary or convenient in and about the conduct and management thereof.

25. To carry on any other lawful business or operation deemed advantageous, desirable or incidental to any of the purposes herein specified, or calculated, directly or indirectly, to promote the interests of this Corporation, or to enhance the value of its properties, securities, or assets of any kind whatsoever.

26. To execute and deliver general or special powers of attorney to individuals, firms, corporations, companies, associations, trusts and organizations in the United States, or any other country, and to revoke the same as the Board of Directors shall determine.

27. To have one or more of its offices, and to carry on any or all of its operations and business, within or without the State of Delaware, in any part of the world, and to have and exercise all the rights and powers now or hereafter conferred by the laws of the State of Delaware upon corporations organized under the same statutes as this Corporation.

The foregoing clauses shall be construed both as objects and powers, and the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner the powers of this Corporation; and the purposes, objects and powers specified in each of the paragraphs of Article Third hereof shall, except as otherwise expressly provided, in nowise be limited or restricted by reference to or inference under the terms of any other article, clause or paragraph hereof, but each of the purposes, objects and powers specified herein shall be regarded as independent purposes, objects and powers.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 15,800,000 shares, of which 500,000 shares shall be Cumulative Prior Preferred Stock of the par value of \$100 each (hereinafter called "Prior Preferred Stock"), 300,000 shares shall be Cumulative Second Preferred Stock, of the par value of \$100 each (hereinafter called "Second Preferred Stock") and 15,000,000 shares shall be Common Stock, of the par value of \$1 each (hereinafter called "Common Stock").

A statement of the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of the shares of stock of each class which the Corporation shall have authority to issue, the fixing of which by the Certificate of Incorporation, as amended, is desired, and the grant of authority to the Board of Directors to fix by resolution or resolutions the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of the respective series of Prior Preferred Stock and Second Preferred Stock which are not fixed herein, is as follows:

PRIOR PREFERRED STOCK

1. The Prior Preferred Stock may be issued from time to time in one or more series. The designations, preferences and relative, participating, optional and other special rights of each such series and the qualifications, limitations or restrictions thereof may differ from those of any and all other series already outstanding, and the Board of Directors of the Corporation is hereby expressly granted authority, subject to the provisions hereof, to fix, by resolution or resolutions adopted prior to the issuance of any shares of a particular series of Prior Preferred Stock, the designations, preferences and relative participating, optional and other special rights of such series, and the qualifications, limitations or restrictions thereof, in any or all of the following, but in no other, respects:

- (a) the number of shares to constitute such series and the designation of such series;
- (b) the rate of dividends (not exceeding 7% per annum) which the shares of such series shall be entitled to receive and the date or dates from which dividends thereon shall be cumulative;
- (c) the amount of the premium, if any (not exceeding \$10 per share), over and above \$100 per share and any accrued dividends thereon, which the shares of such series shall be entitled to receive upon the redemption thereof;
- (d) the amount of the premium, if any (not exceeding \$10 per share), over and above \$100 per share and any accrued dividends thereon, which the shares of such series shall be entitled to receive upon the voluntary dissolution, liquidation or winding up of the Corporation;
- (e) the right, if any, of holders of shares of such series to convert the same into or exchange the same for stock of any other series or class or other securities and the terms and conditions of such conversion or exchange; and
- (f) the terms of any purchase fund or sinking fund for the purchase or redemption of shares of such series;

provided, however, that the initial series of Prior Preferred Stock shall consist of 403,500 shares, shall be designated "Cumulative Prior Preferred Stock, 4½% Series of 1947" (hereinafter called

"1947 Prior Preferred Stock") shall have the dividend rate and the dates from which dividends thereon shall be cumulative, shall be entitled to receive the respective premiums upon redemption or upon the voluntary dissolution, liquidation or winding up of the Corporation and shall be entitled to the benefit of the sinking fund, provided in Section 10 of this Article Fourth, and shall have no right of conversion or exchange. All shares of Prior Preferred Stock of the same series shall be identical in all respects except, if so provided, as to the dates from which dividends become cumulative, and all shares of Prior Preferred Stock of all series shall be of equal rank and shall be identical in all respects except as permitted by the foregoing provisions of this Section 1.

2. The holders of Prior Preferred Stock of each series shall be entitled to receive, and the Corporation shall be bound to pay, only as and when declared by the Board of Directors and out of funds legally available for the payment of dividends, cumulative dividends, in the case of 1947 Prior Preferred Stock, at the rate fixed in Section 10 of this Article Fourth, and in the case of Prior Preferred Stock of each other series, at the annual rate fixed with respect to such series in accordance with Section 1 of this Article Fourth, and no more, payable in cash, quarterly, on the first days of January, April, July and October in each year. In case Prior Preferred Stock of more than one series is outstanding, the Corporation, in making any dividend payment upon the Prior Preferred Stock, shall make dividend payments ratably upon all outstanding shares of Prior Preferred Stock of all series in proportion to the amount of dividends accrued thereon to the date of such dividend payment. If dividends on any shares of Prior Preferred Stock shall be in arrears, the holders thereof shall not be entitled to any interest, or sum of money in lieu of interest, thereon.

3. The Corporation, at the option of the Board of Directors, may redeem at any time, or from time to time, any series of Prior Preferred Stock or any part of any series, at \$100 per share, plus accrued dividends thereon to the date fixed for redemption, plus a premium, in the case of the 1947 Prior Preferred Stock, in the amount fixed in Section 10 of this Article Fourth, and in the case of Prior Preferred Stock of any other series, in the amount, if any, fixed with respect to such series in accordance with Section 1 of this Article Fourth (the total amount per share so payable upon any redemption of Prior Preferred Stock being herein referred to as the "redemption price"); provided, however, that not less than 30 days previous to the date fixed for redemption a notice of the time and place thereof shall be given to the holders of record of the shares of Prior Preferred Stock so to be redeemed, by mailing a copy of such notice to such holders at their respective addresses as the same appear upon the books of the Corporation. In case of redemption of less than all of the outstanding Prior Preferred Stock of any one series, such redemption shall be made pro rata, or the shares to be redeemed shall be chosen by lot, in such manner as the Board of Directors may determine.

At any time after notice of redemption has been given in the manner herein prescribed, or after the Corporation shall have delivered to any bank or trust company having its principal office in the Borough of Manhattan, City and State of New York, or in the City of Tulsa, State of Oklahoma, and having a capital, surplus and undivided profits of at least \$5,000,000, an instrument in writing irrevocably authorizing such bank or trust company to give notice of redemption of all the outstanding Prior Preferred Stock of any one or more series in the name of the Corporation and in the manner herein prescribed, the Corporation may deposit the amount of the aggregate redemption price with any such bank or trust company named in such notice, in trust for the holders of the shares so to be redeemed, payable on the date fixed for redemption as aforesaid and in the amounts aforesaid to the respective order of such holders upon endorsement to the Corporation or otherwise, as may be required, and upon surrender of the certificates for such shares. Upon deposit of the aggregate redemption price as aforesaid, or if no such deposit is made, upon said date fixed for redemption (unless the Corporation shall default in making payment of the redemption price as set forth in said notice) such holders shall cease to be stockholders with respect to said shares and shall be entitled only to such conversion or exchange rights (if any) on or before the date fixed for redemption as may be provided with respect to such shares or to receive the redemption price on the date fixed for redemption as aforesaid, from such bank or trust company or from the Corporation, without interest thereon, upon endorsement, if required, and the surrender of the certificates for such shares, as

aforesaid; provided that any funds so deposited by the Corporation and unclaimed at the end of 6 years from the date fixed for such redemption shall be repaid to the Corporation upon its request, after which repayment the holders of such shares so called for redemption shall look only to the Corporation for payment of the redemption price thereof. Any funds so deposited which shall not be required for such redemption because of the exercise, subsequent to the date of such deposit, of any right, conversion or otherwise, shall be returned to the Corporation forthwith. Any interest accrued on any funds so deposited shall belong to the Corporation and shall be paid to it from time to time.

Subject to the provisions hereof, the Board of Directors shall have authority to prescribe the manner in which Prior Preferred Stock shall be redeemed from time to time. No shares of Prior Preferred Stock which shall have been redeemed or which shall have been purchased by the application of capital or otherwise retired pursuant to the provisions of the General Corporation Law of the State of Delaware shall be reissued or resold.

4. Upon any dissolution, liquidation or winding up of the Corporation, the holders of Prior Preferred Stock of each series shall be entitled, before any distribution or payment is made to the holders of any class of stock ranking junior to the Prior Preferred Stock, to be paid in cash \$100 per share, plus accrued dividends thereon to the date of payment, plus, if such dissolution, liquidation or winding up shall be voluntary, a premium, in the case of 1947 Prior Preferred Stock, in the amount fixed in Section 10 of this Article Fourth, and in the case of Prior Preferred Stock of any other series, in the amount, if any, fixed with respect to such series in accordance with Section 1 of this Article Fourth, and no more. In case the net assets of the Corporation are insufficient to pay the holders of all outstanding shares of Prior Preferred Stock of all series the full amounts to which they are respectively entitled, the entire net assets of the Corporation shall be distributed ratably to the holders of all outstanding shares of Prior Preferred Stock of all series in proportion to the amounts to which they are respectively entitled. The consolidation or merger of the Corporation with or into another corporation, or the sale, lease or conveyance of all or substantially all of the assets of the Corporation as an entirety shall not be deemed a dissolution, liquidation or winding up of the Corporation for the purposes of this Section 4, and of Sections 14 and 21, of this Article Fourth.

5. Except as otherwise required by law and subject to the provisions of Section 6 of this Article Fourth, no holder of Prior Preferred Stock shall have any right to vote for the election of directors or for any other purpose; provided, however, that if and whenever dividends on any series of the Prior Preferred Stock shall be in arrears and such arrears shall aggregate an amount at least equal to 6 quarterly dividends upon such series, then and in such event and until such right shall cease as hereinafter provided, the holders of the outstanding Prior Preferred Stock shall be entitled, at all elections of directors, voting separately as a class, to elect 2 members of the Board of Directors; provided further, however, that in case a majority of the outstanding Prior Preferred Stock shall not be present in person or represented by proxy at any meeting at which the holders of the Prior Preferred Stock shall be entitled to vote for the election of directors, then the holders of the Prior Preferred Stock so present or represented shall be entitled, voting concurrently with the holders of the Common Stock and not as a separate class, to vote for the election of directors. Whenever all arrears of dividends on the Prior Preferred Stock shall have been paid and dividends thereon for the current quarterly dividend period shall have been paid or declared and provided for, then the right of the holders of the Prior Preferred Stock to vote as provided in this Section 5 at all elections of directors shall cease, but subject always to the same provisions for the vesting of such voting rights in the case of any such future arrearages in dividends.

In any case in which the holders of the Prior Preferred Stock shall be entitled to vote pursuant to the provisions of this Section 5, or of Section 6, of this Article Fourth or pursuant to law, each holder of Prior Preferred Stock shall be entitled to one vote for each share thereof held.

6 (a). So long as any shares of Prior Preferred Stock are outstanding, the consent of the holders of at least two-thirds of the outstanding shares of Prior Preferred Stock, given in person or by proxy, either in writing or at a meeting called for that purpose, at which the holders of the

Prior Preferred Stock shall vote separately as a class, shall be necessary for effecting or validating any one or more of the following:

(1) The authorization of any additional class of stock ranking prior to or on a parity with the Prior Preferred Stock, or the increase in the authorized amount of the Prior Preferred Stock or of any class of stock ranking prior to or on a parity with the Prior Preferred Stock, or the authorization or increase in the authorized amount of any class of stock or obligation convertible into or evidencing the right to purchase any stock of any class ranking prior to or on a parity with the Prior Preferred Stock;

(2) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation of the Corporation or any amendment thereto or any other certificate filed pursuant to law which would adversely affect any of the rights or preferences of outstanding shares of Prior Preferred Stock; provided, however, that if any such amendment, alteration or repeal would adversely affect the rights or preferences of outstanding shares of Prior Preferred Stock of any particular series without correspondingly affecting the rights or preferences of outstanding shares of all series, then like consent by the holders of at least two-thirds of the shares of Prior Preferred Stock of that particular series at the time outstanding shall also be necessary for effecting or validating any such amendment, alteration or repeal;

(3) The voluntary dissolution, liquidation or winding up of the Corporation, or the sale, lease or conveyance by the Corporation (except to a Wholly-Owned Subsidiary) of all or substantially all of its property or business;

(4) The merger or consolidation of the Corporation with or into any other corporation unless (A) the corporation resulting from or surviving such merger or consolidation will have after such merger or consolidation no class of stock and no other securities, either authorized or outstanding, ranking prior to or on a parity with the Prior Preferred Stock (or the stock, if any, issued to holders of Prior Preferred Stock in lieu thereof in connection with such merger or consolidation) except the same number of shares of stock and the same amount of other securities with the same rights and preferences as the stock and securities of the Corporation, respectively, authorized and outstanding immediately preceding such merger or consolidation, and (B) each holder of Prior Preferred Stock immediately preceding such merger or consolidation shall receive in connection with such merger or consolidation the same number of shares, with the same rights and preferences, of the resulting or surviving corporation;

(5) The sale, lease or conveyance by any Subsidiary (except to the Corporation or a Wholly-Owned Subsidiary) of all or substantially all of its property or business;

(6) The merger or consolidation of any Subsidiary with or into any other corporation except the Corporation or a Wholly-Owned Subsidiary;

(7) The giving by the Corporation or any Subsidiary of any guaranty or similar obligation for the payment of any indebtedness of any other corporation or person or persons or for the payment of any amounts with respect to the stock of any other corporation; provided, however, that this provision shall not prevent the Corporation or any Subsidiary, without such consent, from (A) guaranteeing the performance of any contract, or the payment of any obligation, of a Subsidiary, or (B) guaranteeing customers' notes and trade acceptances received by the Corporation or any Subsidiary in the ordinary and regular course of its business, or (C) extending, renewing or refunding any such guaranty or similar obligation;

(8) The issue or sale (except to the Corporation or a Wholly-Owned Subsidiary) by any Subsidiary of any common stock of such Subsidiary; provided, however, that this provision shall not prevent, without such consent, the issue or sale by a Subsidiary, which is not a Wholly-Owned Subsidiary, of common stock to others than the Corporation if, simultaneously with such issue or sale, there is issued or sold to the Corporation or one or more Wholly-Owned Subsidiaries common

stock in an amount sufficient to maintain the proportionate equity interest and voting control of the Corporation and its Wholly-Owned Subsidiaries in the Subsidiary so issuing or selling such stock; or

(9) The sale or other disposal by the Corporation or any Subsidiary (except to the Corporation or a Wholly-Owned Subsidiary) of any obligation or stock of any other Subsidiary unless prior thereto or at the same time all of the obligations and stock of such other Subsidiary owned directly or indirectly by the Corporation and its Subsidiaries are sold or disposed of as an entirety for a consideration which shall not include capital stock of another corporation and which shall not include obligations of another corporation unless the shares of stock and obligations so sold or disposed of shall be validly pledged, free and clear of all other liens, charges or encumbrances, as security for such obligations.

(b) So long as any shares of Prior Preferred Stock are outstanding and unless

(I) Consolidated Net Income for any 12 consecutive calendar months out of the 15 calendar months next preceding the date of the proposed transaction for the purpose of which the calculation is made and the annual average of Consolidated Net Income for the 2 completed fiscal years next preceding the date of such transaction, Consolidated Net Income being increased in each case by an amount equal to the amount of interest on Funded Debt deducted in determining such Consolidated Net Income, shall each have been at least equal to 250% of the sum of (i) the total annual interest requirements on all Consolidated Funded Debt to be outstanding after giving effect to such transaction, plus (ii) the total annual dividend requirements on all shares of Prior Preferred Stock and on all shares of all other classes of stock of the Corporation ranking prior to or on a parity with the Prior Preferred Stock and on all shares of all classes of stock of Subsidiaries, not owned by the Corporation or any Wholly-Owned Subsidiary, ranking prior to the common stocks of such Subsidiaries, which shares are to be outstanding after giving effect to such transaction, and

(II) Consolidated Net Tangible Assets as of any date not more than 90 days preceding the date of the proposed transaction for the purpose of which the calculation is made (adjusted, however, to give effect to such proposed transaction and the net proceeds received or the net expenditures incurred, as the case may be, by the Corporation and its Subsidiaries from the issuance, sale, acquisition or redemption of, or other dealings in, securities of the Corporation and its Subsidiaries after the date as of which Consolidated Net Tangible Assets were calculated but on or prior to the date of such proposed transaction) shall be at least equal to 150% of the sum of (i) Consolidated Funded Debt to be outstanding after giving effect to such transaction, plus (ii) the involuntary liquidation price of all outstanding shares of Prior Preferred Stock and of all other classes of stock of the Corporation ranking prior to or on a parity with the Prior Preferred Stock and of all shares of all classes of stock of Subsidiaries, not owned by the Corporation or any Wholly-Owned Subsidiary, ranking prior to the common stocks of such Subsidiaries, which shares are to be outstanding after giving effect to such transaction, plus (iii) the capital and surplus applicable to all shares of common stocks of Subsidiaries, not owned by the Corporation or any Wholly-Owned Subsidiary, which are to be outstanding after giving effect to such transaction, such capital and surplus being as shown by the books of such Subsidiaries.

the consent of the holders of at least two-thirds of the outstanding shares of Prior Preferred Stock, given in person or by proxy, either in writing or at a meeting called for that purpose, at which the holders of the Prior Preferred Stock shall vote separately as a class, shall be necessary for effecting or validating any one or more of the following:

(1) The creation, issuance, sale or assumption by the Corporation or any Subsidiary of any Funded Debt; provided, however, that this provision shall not prevent, without such consent (A) the creation, issue and sale by the Corporation of an aggregate of not exceeding \$25,000,000 principal amount of unsecured debentures and/or notes on or about the effective date of the Agreement of Merger setting forth this Article Fourth or (B) the creation, issuance, sale or

assumption by the Corporation or any Subsidiary of any Funded Debt for the purpose of extending, renewing or refunding at least an approximately equal aggregate principal amount of Funded Debt of the Corporation or such Subsidiary, or (C) the creation by any Subsidiary of any Funded Debt for issuance to, and the issuance and sale thereof to, the Corporation or a Wholly-Owned Subsidiary, or the extending, renewing or refunding of any such Funded Debt, or (D) the creation by the Corporation or any Subsidiary of Funded Debt secured by purchase money mortgages or other purchase money liens on property which subsequent to the effective date of the Agreement of Merger setting forth this Article Fourth may be acquired by the Corporation or any Subsidiary, or the assumption by the Corporation or any Subsidiary of Funded Debt secured by mortgages or other liens existing on such property at the time of acquisition, provided that such Funded Debt shall not exceed two-thirds of the cost or fair market value (as determined in good faith by the Board of Directors of the Corporation) of such property at the time of acquisition, whichever is less, or the extending, renewing or refunding of any such Funded Debt, mortgage or other lien;

(2) The issuance by the Corporation of any authorized Prior Preferred Stock in excess of the number of shares initially issued pursuant to the provisions of Article IV of the Agreement of Merger setting forth this Article Fourth or of any shares of any class of stock ranking prior to or on a parity with the Prior Preferred Stock or of any class of stock or obligation convertible into or evidencing the right to purchase any stock of any class ranking prior to or on a parity with the Prior Preferred Stock; or

(3) The issuance by any Subsidiary (except to the Corporation or a Wholly-Owned Subsidiary) of any shares of any class of stock of such Subsidiary ranking prior to the common stock of such Subsidiary.

7. (a) In no event, so long as any of the Prior Preferred Stock shall be outstanding, shall any dividend whatsoever, whether in cash, stock or otherwise, be declared or paid, or any distribution be made, on any stock of the Corporation of a class ranking junior to the Prior Preferred Stock, nor shall any shares of any such junior class of stock be purchased by the Corporation or by a Subsidiary or be redeemed by the Corporation, nor shall any moneys be paid to or set aside or made available for a purchase fund or sinking fund for the purchase or redemption of any shares of any such junior class of stock, unless

(1) all dividends on all outstanding shares of Prior Preferred Stock of all series for all past dividend periods shall have been paid and the full dividends for the then current quarterly dividend period shall have been paid or declared and provided for, and

(2) the Corporation shall have paid or set aside all amounts, if any, theretofore required to be paid or set aside as and for all purchase funds and sinking funds, if any, for the shares of Prior Preferred Stock of all series for the then current fiscal year, and all defaults, if any, in complying with any such purchase fund and sinking fund requirements in respect of previous fiscal years shall have been made good.

(b) In no event, so long as any Prior Preferred Stock shall be outstanding, shall any dividend, other than a dividend payable in stock of the Corporation of a class ranking junior to the Prior Preferred Stock, be declared or paid, or any distribution be made, on any such junior class of stock, nor shall any shares of any such junior class of stock be purchased by the Corporation or by a Subsidiary or be redeemed by the Corporation, nor shall any moneys be paid to or set aside or made available for a purchase fund or sinking fund for the purchase or redemption of any shares of any such junior class of stock, except to the extent that the sum of

(1) Consolidated Net Income subsequent to December 31, 1946, plus

(2) \$5,000,000, plus

(3) the aggregate net proceeds received by the Corporation from the issue and sale on or subsequent to the effective date of the Agreement of Merger setting forth this Article Fourth of shares of stock of the Corporation of any class ranking junior to the Prior Preferred Stock, which

net proceeds, to the extent that any thereof consists of property, rather than cash, shall be taken at the fair value of such property as determined by the Board of Directors of the Corporation, plus

(4) the aggregate net proceeds received by the Corporation from the issue and sale of any Funded Debt or any shares of Prior Preferred Stock or stock of any class ranking prior to or on a parity with the Prior Preferred Stock, which subsequent to the effective date of the Agreement of Merger setting forth this Article Fourth may have been converted into shares of stock of the Corporation of any class ranking junior to the Prior Preferred Stock, which net proceeds, to the extent that any thereof consists of property, rather than cash, shall be taken at the fair value of such property as determined by the Board of Directors of the Corporation,

shall exceed the sum of

(1) the aggregate amount of dividends (except dividends payable in shares of stock of the Corporation of a class ranking junior to the Prior Preferred Stock) paid or declared and distributions (not including amounts applied to the purchase or redemption of shares of any stock) made by the Corporation subsequent to December 31, 1946, plus

(2) the aggregate amount expended by the Corporation and its Subsidiaries subsequent to the effective date of the Agreement of Merger setting forth this Article Fourth for the purpose of acquiring or redeeming shares of stock of the Corporation of any class ranking junior to the Prior Preferred Stock.

8. Any purchase fund or sinking fund provided for the purchase or redemption of Prior Preferred Stock of any series (other than 1947 Prior Preferred Stock) may provide for the purchase or redemption of stock of such series and of any other series of Prior Preferred Stock created thereafter.

No shares of Prior Preferred Stock which shall have been purchased or redeemed through the operation of any purchase fund or sinking fund, or for which credit against any purchase fund or sinking fund requirement shall have been taken, shall be applied against any subsequent purchase fund or sinking fund requirement or reissued or resold.

9. In case Prior Preferred Stock of any series shall be convertible into or exchangeable for stock of any other series or class or other securities, no shares of Prior Preferred Stock of such series which shall have been so converted or exchanged shall be reissued or resold.

10. The 1947 Prior Preferred Stock shall be entitled:

(a) To receive dividends at the rate of $4\frac{1}{2}\%$ of the par value thereof per annum, which dividends shall be cumulative, with respect to shares issued on the effective date of the Agreement of Merger setting forth this Article Fourth, from the day on which such shares are issued, and with respect to shares issued after such date, from the first day of the quarterly dividend period within which such shares are issued;

(b) To receive upon the redemption thereof a premium, over and above \$100 per share and any accrued dividends thereon, of \$4 per share if redeemed prior to January 1, 1950; \$3 per share if redeemed on or after January 1, 1950, but prior to January 1, 1952; \$2 per share if redeemed on or after January 1, 1952, but prior to January 1, 1954; and \$1 per share if redeemed on or after January 1, 1954, but prior to January 1, 1956; but to receive no premium if redeemed on or after January 1, 1956, or if redeemed through the operation of the sinking fund provided for in paragraph (d) of this Section 10:

(c) To receive upon the voluntary dissolution, liquidation or winding up of the Corporation, a premium, over and above \$100 per share and any accrued dividends thereon, in the same amount per share as the premium which the shares of such series would be entitled to receive pursuant to the provisions of paragraph (b) of this Section 10 if, on the date of payment, such shares were being redeemed pursuant to the provisions of Section 3 of this Article Fourth:

(d) To the benefit of a sinking fund as and for which the Corporation, so long as any shares of 1947 Prior Preferred Stock shall be outstanding, shall set aside in cash on July 1, 1948, and on each January 1 and July 1 thereafter, an amount equal to \$100 multiplied by 1½% of the greatest number of shares of 1947 Prior Preferred Stock at any one time theretofore outstanding, less an amount equal to \$100 per share for such number of shares of 1947 Prior Preferred Stock as the Corporation may credit against any such sinking fund requirement out of any shares purchased or redeemed by it (other than shares purchased or redeemed through the operation of the sinking fund and other than fractions of shares in respect of which the Corporation shall have paid cash under the provisions of subdivision (e) of Article IV of the Agreement of Merger setting forth this Article Fourth), at any time prior to the setting aside of such sinking fund requirement and for which credit shall not theretofore have been taken against any such sinking fund requirement.

At any time or times after any January 1 or July 1 and prior to the next May 1 or November 1, as the case may be, the Corporation may apply any cash then in the sinking fund to the purchase of shares of 1947 Prior Preferred Stock, if obtainable, at a price or prices not exceeding \$100 per share plus accrued dividends to the date of purchase. Such purchases may be made at public or private sale, with or without advertisement, in such manner, from such person or persons, and at such price or prices (subject to the provisions of the preceding sentence) as the Corporation in its discretion may determine.

If, on any May 1 or November 1 the unexpended balance of cash in the sinking fund shall exceed \$10,000, such balance, to the extent necessary substantially to exhaust the same, shall be applied to the redemption of shares of 1947 Prior Preferred Stock on or before the dividend payment date next following such May 1 or November 1, as the case may be (provided, however, that if such balance shall not exceed \$10,000 the Corporation may, but shall not be required to, make such redemption) in the manner prescribed by Section 3 of this Article Fourth at the redemption price specified in paragraph (b) of this Section 10 in respect of shares redeemed through the operation of the sinking fund. Any amount of such balance not so applied to such redemption shall be retained in the sinking fund and shall be applied with subsequent sinking fund instalments to the purchase or redemption of 1947 Prior Preferred Stock as above provided.

Accrued dividends on shares of 1947 Prior Preferred Stock purchased or redeemed through the operation of the sinking fund shall be paid by the Corporation out of its general funds.

SECOND PREFERRED STOCK

11. The Second Preferred Stock may be issued from time to time in one or more series. The designations, preferences and relative, participating, optional and other special rights of each such series and the qualifications, limitations or restrictions thereof may differ from those of any and all other series already outstanding, and the Board of Directors of the Corporation is hereby expressly granted authority, subject to the provisions hereof, to fix, by resolution or resolutions adopted prior to the issuance of any shares of a particular series of Second Preferred Stock, the designations, preferences and relative, participating, optional and other special rights of such series, and the qualifications, limitations or restrictions thereof, in any or all of the following, but in no other, respects:

(a) the number of shares to constitute such series and the designation of such series;

(b) the rate of dividends (not exceeding 7% per annum) which the shares of such series shall be entitled to receive and the date or dates from which dividends thereon shall be cumulative;

(c) the amount of the premium, if any (not exceeding \$10 per share), over and above \$100 per share and any accrued dividends thereon which the shares of such series shall be entitled to receive upon the redemption thereof;

(d) the amount of the premium, if any (not exceeding \$10 per share), over and above \$100 per share and any accrued dividends thereon which the shares of such series shall be entitled to receive upon the voluntary dissolution, liquidation or winding up of the Corporation;

(e) the right, if any, of holders of shares of such series to convert the same into or exchange the same for stock of any other series or class or other securities and the terms and conditions of such conversion or exchange; and

(f) the terms of any purchase fund or sinking fund for the purchase or redemption of shares of such series.

All shares of Second Preferred Stock of the same series shall be identical in all respects, except, if so provided, as to the dates from which dividends become cumulative, and all shares of Second Preferred Stock of all series shall be of equal rank and shall be identical in all respects except as permitted by the foregoing provisions of this Section 11.

12. Subject to the prior rights of the Prior Preferred Stock and to the limitations set forth in Section 7 of this Article Fourth, the holders of Second Preferred Stock of each series shall be entitled to receive, and the Corporation shall be bound to pay, only as and when declared by the Board of Directors and out of funds legally available for the payment of dividends, cumulative dividends at the annual rate fixed with respect to such series in accordance with Section 11 of this Article Fourth hereof, and no more, payable in cash, quarterly, on the first days of January, April, July and October in each year. In case Second Preferred Stock of more than one series is outstanding, the Corporation, in making any dividend payment upon the Second Preferred Stock, shall make dividend payments ratably upon all outstanding shares of Second Preferred Stock of all series in proportion to the amount of dividends accrued thereon to the date of such dividend payment. If dividends on any shares of Second Preferred Stock shall be in arrears, the holders thereof shall not be entitled to any interest, or sum of money in lieu of interest, thereon.

13. Subject to the limitations set forth in Section 7 of this Article Fourth, the Corporation at the option of the Board of Directors, may redeem at any time, or from time to time, any series of Second Preferred Stock or any part of any series, at \$100 per share, plus accrued dividends thereon to the date fixed for redemption, plus a premium in the amount, if any, fixed with respect to such series in accordance with Section 11 of this Article Fourth (the total amount per share so payable upon any redemption of Second Preferred Stock being herein referred to as the "redemption price"); provided, however, that not less than 30 days previous to the date fixed for redemption a notice of the time and place thereof shall be given to the holders of record of the shares of Second Preferred Stock so to be redeemed, by mailing a copy of such notice to such holders at their respective addresses as the same appear upon the books of the Corporation. In case of redemption of less than all of the outstanding Second Preferred Stock of any one series, such redemption shall be made pro rata, or the shares to be redeemed shall be chosen by lot, in such manner as the Board of Directors may determine.

At any time after notice of redemption has been given in the manner herein prescribed, or after the Corporation shall have delivered to any bank or trust company having its principal office in the Borough of Manhattan, City and State of New York, or in the City of Tulsa, State of Oklahoma, and having a capital, surplus and undivided profits of at least \$5,000,000, an instrument in writing irrevocably authorizing such bank or trust company to give notice of redemption of all the outstanding Second Preferred Stock of any one or more series in the name of the Corporation and in the manner herein prescribed, the Corporation may deposit the amount of the aggregate redemption price with any such bank or trust company named in such notice, in trust for the holders of the shares so to be redeemed, payable on the date fixed for redemption as aforesaid and in the amounts aforesaid to the respective order of such holders upon endorsement to the Corporation or otherwise, as may be required, and upon surrender of the certificates for such shares. Upon deposit of the aggregate redemption price as aforesaid, or if no such deposit is made, upon said date fixed for redemption (unless the Corporation shall default in making payment of the redemption price as set forth in said notice) such holders shall cease to be stockholders with respect to said shares and shall be entitled only to such conversion or exchange rights (if any) on or before the date fixed for redemption as may be provided with respect to such

shares or to receive the redemption price on the date fixed for redemption as aforesaid, from such bank or trust company or from the Corporation, without interest thereon, upon endorsement, if required, and the surrender of the certificates for such shares, as aforesaid; provided that any funds so deposited by the Corporation and unclaimed at the end of 6 years from the date fixed for such redemption shall be repaid to the Corporation upon its request, after which repayment the holders of such shares so called for redemption shall look only to the Corporation for payment of the redemption price thereof. Any funds so deposited which shall not be required for such redemption because of the exercise, subsequent to the date of such deposit, of any right, conversion or otherwise, shall be returned to the Corporation forthwith. Any interest accrued on any funds so deposited shall belong to the Corporation and shall be paid to it from time to time.

Subject to the provisions hereof, the Board of Directors shall have authority to prescribe the manner in which Second Preferred Stock shall be redeemed from time to time. No shares of Second Preferred Stock which shall have been redeemed or which shall have been purchased by the application of capital or otherwise retired pursuant to the provisions of the General Corporation Law of the State of Delaware shall be reissued or resold.

14. Upon any dissolution, liquidation or winding up of the Corporation, subject to the prior rights of the Prior Preferred Stock, the holders of Second Preferred Stock of each series shall be entitled, before any distribution or payment is made to the holders of any class of stock ranking junior to the Second Preferred Stock, to be paid in cash \$100 per share, plus accrued dividends thereon to the date of payment, plus, if dissolution, liquidation or winding up shall be voluntary, a premium in the amount, if any, fixed with respect to such series in accordance with Section 11 of this Article Fourth, and no more. In case the net assets of the Corporation remaining after the holders of the Prior Preferred Stock shall have been paid the full amounts to which they are entitled are insufficient to pay the holders of all outstanding shares of Second Preferred Stock of all series the full amounts to which they are respectively entitled, all of such remaining net assets shall be distributed ratably to the holders of all outstanding shares of Second Preferred Stock of all series in proportion to the amounts to which they are respectively entitled.

15. Except as otherwise required by law and subject to the provisions of Section 16 of this Article Fourth, no holder of Second Preferred Stock shall have any right to vote for the election of directors or for any other purpose; provided, however, that if and whenever dividends on any series of the Second Preferred Stock shall be in arrears and such arrears shall aggregate an amount at least equal to 6 quarterly dividends upon such series, then and in such event and until such right shall cease as hereinafter provided, the holders of the outstanding Second Preferred Stock shall be entitled, at all elections of directors, voting separately as a class, to elect 2 members of the Board of Directors; provided further, however, that in case a majority of the outstanding Second Preferred Stock shall not be present in person or represented by proxy at any meeting at which the holders of the Second Preferred Stock shall be entitled to vote for the election of directors, then the holders of the Second Preferred Stock so present or represented shall be entitled, voting concurrently with the holders of the Common Stock and not as a separate class, to vote for the election of directors. Whenever all arrears of dividends on the Second Preferred Stock shall have been paid and dividends thereon for the current quarterly dividend period shall have been paid or declared and provided for, then the right of the holders of the Second Preferred Stock to vote as provided in this Section 15 at all elections of directors shall cease, but subject always to the same provisions for the vesting of such voting rights in the case of any such future arrearages in dividends.

In any case in which the holders of the Second Preferred Stock shall be entitled to vote pursuant to the provisions of this Section 15, or of Section 16, of this Article Fourth or pursuant to law, each holder of Second Preferred Stock shall be entitled to one vote for each share thereof held.

16 (a). So long as any shares of Second Preferred Stock are outstanding, the consent of the holders of at least a majority of the outstanding shares of Second Preferred Stock, given in person or by proxy, either in writing or at a meeting called for that purpose, at which the holders of the

Second Preferred Stock shall vote separately as a class, shall be necessary for effecting or validating any one or more of the following:

(1) The authorization of any additional class of stock ranking prior to or on a parity with the Second Preferred Stock, or the increase in the authorized amount of the Second Preferred Stock or of any class of stock ranking prior to or on a parity with the Second Preferred Stock, or the authorization or increase in the authorized amount of any class of stock or obligation convertible into or evidencing the right to purchase any stock of any class ranking prior to or on a parity with the Second Preferred Stock;

(2) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation of the Corporation or any amendment thereto or any other certificate filed pursuant to law which would adversely affect any of the rights or preferences of outstanding shares of Second Preferred Stock; provided, however, that if any such amendment, alteration or repeal would adversely affect the rights or preferences of outstanding shares of Second Preferred Stock of any particular series without correspondingly affecting the rights or preferences of outstanding shares of all series, then like consent by the holders of at least a majority of the shares of Second Preferred Stock of that particular series at the time outstanding shall also be necessary for effecting or validating any such amendment, alteration or repeal;

(3) The voluntary dissolution, liquidation or winding up of the Corporation, or the sale, lease or conveyance by the Corporation (except to a Wholly-Owned Subsidiary) of all or substantially all of its property or business;

(4) The merger or consolidation of the Corporation with or into any other corporation unless (A) the corporation resulting from or surviving such merger or consolidation will have after such merger or consolidation no class of stock and no other securities, either authorized or outstanding, ranking prior to or on a parity with the Second Preferred Stock (or the stock, if any, issued to holders of Second Preferred Stock in lieu thereof in connection with such merger or consolidation) except the same number of shares of stock and the same amount of other securities with the same rights and preferences as the stock and securities of the Corporation, respectively, authorized and outstanding immediately preceding such merger or consolidation, and (B) each holder of Second Preferred Stock immediately preceding such merger or consolidation shall receive in connection with such merger or consolidation the same number of shares, with the same rights and preferences, of the resulting or surviving corporation;

(5) The sale, lease or conveyance by any Subsidiary (except to the Corporation or a Wholly-Owned Subsidiary) of all or substantially all of its property or business;

(6) The merger or consolidation of any Subsidiary with or into any other corporation except the Corporation or a Wholly-Owned Subsidiary;

(7) The giving by the Corporation or any Subsidiary of any guaranty or similar obligation for the payment of any indebtedness of any other corporation or person or persons or for the payment of any amounts with respect to the stock of any other corporation; provided, however, that this provision shall not prevent the Corporation or any Subsidiary, without such consent, from (A) guaranteeing the performance of any contract, or the payment of any obligation, of a Subsidiary, or (B) guaranteeing customers' notes and trade acceptances received by the Corporation or any Subsidiary in the ordinary and regular course of its business, or (C) extending, renewing or refunding any such guaranty or similar obligation;

(8) The issue or sale (except to the Corporation or a Wholly-Owned Subsidiary) by any Subsidiary of any common stock of such Subsidiary; provided, however, that this provision shall not prevent, without such consent, the issue or sale by a Subsidiary, which is not a Wholly-Owned Subsidiary, of common stock to others than the Corporation if, simultaneously with such issue or sale, there is issued or sold to the Corporation or one or more Wholly-Owned Subsidiaries common

stock in an amount sufficient to maintain the proportionate equity interest and voting control of the Corporation and its Wholly-Owned Subsidiaries in the Subsidiary so issuing or selling such stock; or

(9) The sale or other disposal by the Corporation or any Subsidiary (except to the Corporation or a Wholly-Owned Subsidiary) of any obligation or stock of any other Subsidiary unless prior thereto or at the same time all of the obligations and stock of such other Subsidiary owned directly or indirectly by the Corporation and its Subsidiaries are sold or disposed of as an entirety for a consideration which shall not include capital stock of another corporation and which shall not include obligations of another corporation unless the shares of stock and obligations so sold or disposed of shall be validly pledged, free and clear of all other liens, charges or encumbrances, as security for such obligations.

(b) So long as any shares of Second Preferred Stock are outstanding and unless

(I) Consolidated Net Income for any 12 consecutive calendar months out of the 15 calendar months next preceding the date of the proposed transaction for the purpose of which the calculation is made and the annual average of Consolidated Net Income for the 2 completed fiscal years next preceding the date of such transaction, Consolidated Net Income being increased in each case by an amount equal to the amount of interest on Funded Debt deducted in determining such Consolidated Net Income, shall each have been at least equal to 200% of the sum of (i) the total annual interest requirements on all Consolidated Funded Debt to be outstanding after giving effect to such transaction, plus (ii) the total annual dividend requirements on all shares of Second Preferred Stock and on all shares of all other classes of stock of the Corporation ranking prior to or on a parity with the Second Preferred Stock and on all shares of all classes of stock of Subsidiaries, not owned by the Corporation or any Wholly-Owned Subsidiary, ranking prior to the common stocks of such Subsidiaries, which shares are to be outstanding after giving effect to such transaction, and

(II) Consolidated Net Tangible Assets as of any date not more than 90 days preceding the date of the proposed transaction for the purpose of which the calculation is made (adjusted, however, to give effect to such proposed transaction and the net proceeds received or the net expenditures incurred, as the case may be, by the Corporation and its Subsidiaries from the issuance, sale, acquisition or redemption of, or other dealings in, securities of the Corporation and its Subsidiaries after the date as of which Consolidated Net Tangible Assets were calculated but on or prior to the date of such proposed transaction) shall be at least equal to 133% of the sum of (i) Consolidated Funded Debt to be outstanding after giving effect to such transaction, plus (ii) the involuntary liquidation price of all outstanding shares of Second Preferred Stock and of all other classes of stock of the Corporation ranking prior to or on a parity with the Second Preferred Stock and of all shares of all classes of stock of Subsidiaries, not owned by the Corporation or any Wholly-Owned Subsidiary, ranking prior to the common stocks of such Subsidiaries, which shares are to be outstanding after giving effect to such transaction, plus (iii) the capital and surplus applicable to all shares of common stocks of Subsidiaries, not owned by the Corporation or any Wholly-Owned Subsidiary, which are to be outstanding after giving effect to such transaction, such capital and surplus being as shown by the books of such Subsidiaries,

the consent of the holders of at least a majority of the outstanding shares of Second Preferred Stock, given in person or by proxy, either in writing or at a meeting called for that purpose, at which the holders of the Second Preferred Stock shall vote separately as a class, shall be necessary for effecting or validating any one or more of the following:

(1) The creation, issuance, sale or assumption by the Corporation or any Subsidiary of any Funded Debt; provided, however, that this provision shall not prevent, without such consent (A) the creation, issue and sale by the Corporation of an aggregate of not exceeding \$25,000,000 principal amount of unsecured debentures and/or notes on or about the effective date of the Agreement of Merger setting forth this Article Fourth, or (B) the creation, issuance, sale or

assumption by the Corporation or any Subsidiary of any Funded Debt for the purpose of extending, renewing or refunding at least an approximately equal aggregate principal amount of Funded Debt of the Corporation or such Subsidiary, or (C) the creation by any Subsidiary of any Funded Debt for issuance to, and the issuance and sale thereof to the Corporation or a Wholly-Owned Subsidiary, or the extending, renewing or refunding of any such Funded Debt, or (D) the creation by the Corporation or any Subsidiary of any Funded Debt secured by purchase money mortgages or other purchase money liens on property which subsequent to the effective date of the Agreement of Merger setting forth this Article Fourth, may be acquired by the Corporation or any Subsidiary, or the assumption by the Corporation or any Subsidiary of Funded Debt secured by mortgages or other liens existing on such property at the time of acquisition, provided that such Funded Debt shall not exceed two-thirds of the cost or fair market value (as determined in good faith by the Board of Directors of the Corporation) of such property at the time of acquisition, whichever is less, or the extending, renewing or refunding of any such Funded Debt, mortgage or other lien;

(2) The issuance by the Corporation of any authorized Second Preferred Stock in excess of the number of shares issued on the day of the effective date of the Agreement of Merger setting forth this Article Fourth or of any shares of any class of stock ranking prior to or on a parity with the Second Preferred Stock or of any class of stock or obligation convertible into or evidencing the right to purchase any stock of any class ranking prior to or on a parity with the Second Preferred Stock; or

(3) The issuance by any Subsidiary (except to the Corporation or a Wholly-Owned Subsidiary) of any shares of any class of stock of such Subsidiary ranking prior to the common stock of such Subsidiary.

17. (a) In no event, so long as any of the Second Preferred Stock shall be outstanding, shall any dividend whatsoever, whether in cash, stock or otherwise, be declared or paid, or any distribution be made, on any stock of the Corporation of a class ranking junior to the Second Preferred Stock, nor shall any shares of any such junior class of stock be purchased by the Corporation or by a Subsidiary or be redeemed by the Corporation, nor shall any moneys be paid to or set aside or made available for a purchase fund or sinking fund for the purchase or redemption of any shares of any such junior class of stock, unless

(1) all dividends on all outstanding shares of Second Preferred Stock of all series for all past dividend periods shall have been paid and the full dividends for the then current quarterly dividend period shall have been paid or declared and provided for, and

(2) the Corporation shall have paid or set aside all amounts, if any, theretofore required to be paid or set aside as and for all purchase funds and sinking funds, if any, for the shares of Second Preferred Stock of all series for the then current fiscal year, and all defaults, if any, in complying with any such purchase fund and sinking fund requirements in respect of previous fiscal years shall have been made good.

(b) In no event, so long as any Second Preferred Stock shall be outstanding, shall any dividend, other than a dividend payable in stock of the Corporation of a class ranking junior to the Second Preferred Stock, be declared or paid, or any distribution be made, on any such junior class of stock, nor shall any shares of any such junior class of stock be purchased by the Corporation or by a Subsidiary or be redeemed by the Corporation, nor shall any moneys be paid to or set aside or made available for a purchase fund or sinking fund for the purchase or redemption of any shares of any such junior class of stock, except to the extent that the sum of

(1) Consolidated Net Income subsequent to December 31, 1946, plus

(2) \$5,000,000, plus

(3) the aggregate net proceeds received by the Corporation from the issue and sale on or subsequent to the effective date of the Agreement of Merger setting forth this Article Fourth of

shares of stock of the Corporation of any class ranking junior to the Second Preferred Stock, which net proceeds, to the extent that any thereof consist of property, rather than cash, shall be taken at the fair value of such property as determined by the Board of Directors of the Corporation, plus

(4) the aggregate net proceeds received by the Corporation from the issue and sale of any Funded Debt or any shares of Second Preferred Stock or stock of any class ranking prior to or on a parity with the Second Preferred Stock, which subsequent to the effective date of the Agreement of Merger setting forth this Article Fourth may have been converted into shares of stock of the Corporation of any class ranking junior to the Second Preferred Stock, which net proceeds, to the extent that any thereof consist of property, rather than cash, shall be taken at the fair value of such property as determined by the Board of Directors of the Corporation,

shall exceed the sum of

(1) the aggregate amount of dividends (except dividends payable in shares of stock of the Corporation of a class ranking junior to the Second Preferred Stock) paid or declared and distributions (not including amounts applied to the purchase or redemption of shares of any stock) made by the Corporation subsequent to December 31, 1946, plus

(2) the aggregate amount expended by the Corporation and its Subsidiaries subsequent to the effective date of the Agreement of Merger setting forth this Article Fourth for the purpose of acquiring or redeeming shares of stock of the Corporation of any class ranking junior to the Second Preferred Stock.

18. Any purchase fund or sinking fund provided for the purchase or redemption of Second Preferred Stock of any series may provide for the purchase or redemption of stock of such series and of any other series of Second Preferred Stock created thereafter.

No shares of Second Preferred Stock which shall have been purchased or redeemed through the operation of any purchase fund or sinking fund, or for which credit against any purchase fund or sinking fund requirement shall have been taken, shall be applied against any subsequent purchase fund or sinking fund requirement or reissued or resold.

19. In case Second Preferred Stock of any series shall be convertible into or exchangeable for stock of any other series or class or other securities, no shares of Second Preferred Stock of such series which shall have been so converted or exchanged shall be reissued or resold.

COMMON STOCK

20. Subject to the prior rights of the Prior Preferred Stock and the Second Preferred Stock and to the limitations set forth in Sections 7 and 17 of this Article Fourth, dividends may be paid upon the Common Stock as and when declared by the Board of Directors out of funds legally available for the payment of dividends.

21. Upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, after the holders of the Prior Preferred Stock and the Second Preferred Stock of each series shall have been paid the full amounts to which they are respectively entitled, the remaining net assets of the Corporation shall be distributed ratably to the holders of the Common Stock.

22. Except as otherwise expressly provided in Sections 5 and 6 of this Article Fourth with respect to the Prior Preferred Stock and in Sections 15 and 16 of this Article Fourth with respect to the Second Preferred Stock and except as otherwise may be required by law, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, each holder of Common Stock being entitled to one vote for each share thereof held.

DEFINITIONS

23. For the purposes of this Article Fourth:

(a) The terms “accrued dividends”, “dividends accrued”, “dividends in arrears” and similar terms shall mean, in respect of each share of Prior Preferred Stock or Second Preferred Stock of any particular series, an amount equal to simple interest on the sum of \$100 at an annual rate equal to the dividend rate fixed with respect to such series from the date on which dividends on such share became cumulative to the date on which dividends are stated to be accrued, less the aggregate amount of dividends paid thereon.

(b) The term “Consolidated Balance Sheet” shall mean a balance sheet consolidating the accounts of the Corporation and its Subsidiaries prepared in accordance with generally accepted principles of accounting.

(c) The term “Consolidated Current Liabilities” shall mean the aggregate of such of the following as would appear on the liability side of a Consolidated Balance Sheet:

(1) any and all loans, accounts, bills, notes, acceptances, bonds, debentures or other obligations of any character payable on demand or maturing in twelve months or less than twelve months after the particular time as of which the calculation is made;

(2) dividends declared but not paid (other than dividends payable in shares of stock);

(3) the aggregate amount of all accrued salaries, wages, interests, rents, royalties and other expenses and all estimated and accrued taxes (including, but without limitation, income, capital stock and excess profits taxes);

(4) any reserves carried by the Corporation or its Subsidiaries for contingent current liabilities; and

(5) such other liabilities as may be properly included as “current” in accordance with generally accepted principles of accounting;

provided that no obligations of any character shall for any purpose be deemed to be part of Consolidated Current Liabilities if moneys sufficient to pay and discharge such liabilities in full (either on the date of maturity expressed therein or on such earlier date as such obligations may be redeemed pursuant to the provisions thereof) shall have been deposited with the proper depository or with a trustee in trust for the payment thereof and such moneys shall not be included on the asset side of such Consolidated Balance Sheet.

(d) The term “Consolidated Funded Debt” shall mean all Funded Debt which would appear on the liability side of a Consolidated Balance Sheet.

(e) The term “Consolidated Net Income” shall mean the balance remaining after deducting from the consolidated earnings and other income and profits of the Corporation and its Subsidiaries all expenses and charges of every proper character, including interest, amortization of debt discount and expense, taxes, reasonable provision for depreciation, amounts appropriated under any plan of the Corporation or any Subsidiary for extra compensation for, or pension of, officers and employees, provision for net profits applicable to minority interests in Subsidiaries and proper reserves determined in good faith by the Board of Directors of the Corporation in its discretion, all based upon a statement of income and profit and loss consolidating the accounts of the Corporation and its Subsidiaries prepared in accordance with generally accepted principle of accounting; provided, however, that for the purposes of clause I of paragraph (b) of Section 6, and clause I of paragraph (b) of Section 16, of this Article Fourth, the term “Consolidated Net Income” shall include (1) in the case of any corporation which shall have been merged into or consolidated with the Corporation or all or substantially all of the assets of which shall have been acquired by the Corporation during any period for which Consolidated Net Income is being calculated, the net income of such Corporation, determined in accordance with the foregoing principles, for the portion

of such period prior to the date of such merger, consolidation or acquisition; provided, however, that any net income of Transwestern Oil Company, which was merged into the Corporation on August 2, 1946, shall be reduced to eliminate direct net income from royalties and increased to reflect correspondingly lower income taxes, and (2) in the case of any corporation which shall have become a Subsidiary during any period for which Consolidated Net Income is being calculated, the net income of such corporation, determined in accordance with the foregoing principles, for the portion of such period prior to the date on which such corporation became a Subsidiary, adjusted to eliminate net income applicable to the stock of such corporation not owned by the Corporation and/or one or more Subsidiaries on the date of the proposed transaction for the purpose of which the calculation is made.

(f) The term "Consolidated Net Tangible Assets" shall mean the balance remaining after deducting Consolidated Current Liabilities from Consolidated Tangible Assets.

(g) The term "Consolidated Tangible Assets" shall mean the total of all assets appearing on a Consolidated Balance Sheet less the sum of

(1) the book amount of intangible assets such as good will, trademarks, brands, trade names, patents and unamortized debt discount and expenses;

(2) any capital write-ups resulting from reappraisals (except pursuant to an appraisal as hereinafter permitted) of assets or investments subsequent to December 31, 1946 and to their acquisition by the Corporation;

(3) any reserves, other than general contingency reserves, carried by the Corporation or its Subsidiaries as non-current liabilities and not already deducted from assets; and

(4) the amount, if any, at which stock of the Corporation owned by the Corporation or by any Subsidiary appears upon the asset side of such Consolidated Balance Sheet;

provided, however, that in computing Consolidated Tangible Assets the Corporation may substitute for the aggregate of the valuations of producing oil and gas properties the fair value of such properties as determined by an appraisal thereof by such independent petroleum engineer or engineers or other independent expert or experts as the Board of Directors of the Corporation shall employ for the purpose.

(h) The term "Funded Debt" shall mean indebtedness maturing by its terms more than 12 months from the particular time as of which the calculation is made; provided, however, that for the purposes of proviso (B) of subdivision (1) of paragraph (b) of Section 6, and of proviso (B) of subdivision (1) of paragraph (b) of Section 16, of this Article Fourth, the term "Funded Debt" as applied to indebtedness to be extended, renewed or refunded shall include indebtedness maturing by its terms more than 12 months from the date of creation thereof but which at the time of such extension, renewal or refunding matures within 12 months.

(i) The term "outstanding", when used in reference to shares of stock, shall mean issued shares, excluding shares held by the Corporation or a Subsidiary.

(j) The term "Subsidiary" shall mean any corporation of which the Corporation and/or one or more Subsidiaries own or control, directly or indirectly, more than 50% of the outstanding stock having by its terms ordinary voting power to elect a majority of the Board of Directors of such corporation, irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency.

(k) The term "Wholly-Owned Subsidiary" shall mean any Subsidiary all the shares of capital stock of which (other than qualifying shares required to be owned by directors under applicable law) shall at the time be owned or controlled, directly or indirectly, by the Corporation and/or one or more Wholly-Owned Subsidiaries and which has no Funded Debt other than (1) Funded Debt to the Corporation or a Wholly-Owned Subsidiary and (2) indebtedness in respect

of purchase money mortgages or other liens of the nature referred to in proviso (D) of subdivision (1) of paragraph (b) of Section 6, and proviso (D) of subdivision (1) of paragraph (b) of Section 16, of this Article Fourth.

(l) The certificate of any firm of public accountants of recognized standing, selected by the Board of Directors, of which firm no director, officer or employee of the Corporation or of any Subsidiary is a partner, shall be conclusive evidence as to all matters embraced in the Consolidated Balance Sheet and as to the amount of Consolidated Current Liabilities, Consolidated Funded Debt, Consolidated Net Income, Consolidated Net Tangible Assets and Consolidated Tangible Assets.

(m) Any class or classes of stock of the Corporation shall be deemed to rank

(1) prior to the Prior Preferred Stock or the Second Preferred Stock, as the case may be, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon any dissolution, liquidation or winding up, as the case may be, in preference to or with priority over the holders of the Prior Preferred Stock or the Second Preferred Stock, as the case may be;

(2) on a parity with the Prior Preferred Stock or the Second Preferred Stock, as the case may be, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from the Preferred Stock or the Second Preferred Stock, as the case may be, if the rights of holders of such class or classes to the receipt of dividends or of amounts distributable upon any dissolution, liquidation or winding up, as the case may be, shall be neither (a) in preference to or with priority over nor (b) subject or subordinate to the rights of the holders of the Prior Preferred Stock or the Second Preferred Stock, as the case may be, in respect of the receipt of dividends or of amounts distributable upon any dissolution, liquidation or winding up, as the case may be; and

(3) junior to the Prior Preferred Stock or the Second Preferred Stock, as the case may be, if the rights of the holders of such class or classes shall be subject or subordinate to the rights of the holders of the Prior Preferred Stock or the Second Preferred Stock, as the case may be, in respect of the receipt of dividends or of amounts distributable upon any dissolution, liquidation or winding up, as the case may be.

FIFTH: The Corporation shall have perpetual existence.

SIXTH: The private property of the stockholders of the Corporation shall not be subject to the payment of corporate debts to any extent whatsoever.

SEVENTH: No stockholder of this Corporation shall have any preemptive or preferential right to purchase or subscribe for any stock or options or option warrants of the Corporation unissued, whether now or hereafter authorized, or acquired by the Corporation, or any bonds, notes, debentures or other obligations convertible into stock of the Corporation, nor any right of subscription to any such stock or options or option warrants, or any such bonds, notes, debentures or other obligations other than such, if any, as the Board of Directors in its discretion, from time to time, shall determine, and at such price as the Board of Directors shall fix, pursuant to the authority hereby conferred. The Board of Directors may cause to be issued the stock of the Corporation, or options, option warrants, bonds, notes, debentures, or other obligations convertible into stock, without offering such stock, options, option warrants or such bonds, notes, debentures, or other obligations, either in whole or in part, to the stockholders. The acceptance of stock of this Corporation, or dividends thereon, shall be a waiver of any preemptive or preferential right which, notwithstanding this provision, might otherwise be asserted by a stockholder of the Corporation.

EIGHTH: The Corporation shall be entitled to treat the person in whose name any share is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable or other claims to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as otherwise expressly provided by the statutes of the State of Delaware.

NINTH: The number of directors which shall constitute the whole Board of Directors of the Corporation shall be such as from time to time shall be fixed by, or in the manner provided in, the By-laws, but in no case shall the number be less than three. Vacancies in the Board of Directors, whether created by an increase in the number of directors or otherwise, shall be filled in the manner provided in the By-laws. The directors shall be stockholders of the Corporation.

TENTH: In furtherance and not in limitation of the powers conferred by statute, and in addition to the powers which may be conferred by the By-laws, the Board of Directors of the Corporation shall have the following powers:

1. To make, alter and amend the By-laws of the Corporation, but any by-law so made, altered or amended by the Board of Directors may be altered, amended or repealed by the stockholders.

2. From time to time to fix and determine and to vary the amount of the working capital of the Corporation, to direct and determine the use and disposition thereof, to set apart, out of any funds of the Corporation available for dividends, a reserve or reserves for any proper purpose, and to abolish any such reserve in the manner in which it was created.

3. To designate by resolution or resolutions passed by a majority of the whole Board one or more committees, each committee to consist of two or more directors of the Corporation, which, to the extent provided in said resolution or resolutions or in the By-laws of the Corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and shall have power to authorize the seal of the Corporation to be affixed to all papers which may require it.

4. To determine from time to time whether and to what extent and at what times and places and under what conditions and regulations the accounts, books, papers and records of the Corporation, or any of them, shall be open to the inspection of stockholders; and no stockholder shall have any right to inspect any account, book, paper or record of the Corporation except as otherwise specifically provided by the laws of the State of Delaware or authorized by resolution of the Board of Directors or of the stockholders.

5. From time to time to formulate, establish, promote, and carry out, and to amend, alter, change, revise, recall, repeal, or abolish a plan or plans for the participation by all or any of the employees, including directors and officers of this Corporation, or of any corporation, company, association, trust, or organization in which or in the welfare of which this Corporation has any interest, and those actively engaged in the conduct of this Corporation's business, in the profits, gains, or business of the Corporation or of any branch or division thereof, as part of this Corporation's legitimate expenses, and for the furnishing to such employees, directors, officers, or persons, or any of them, at this Corporation's expense, of medical services, insurance against accident, sickness or death, pensions during old age, disability or unemployment, education, housing, social services, recreation or other similar aids for their relief or general welfare, in such manner and upon such terms and conditions as the Board of Directors shall determine.

ELEVENTH: The Corporation may in its By-laws confer powers additional to the foregoing (not, however, inconsistent with law) upon the Board of Directors, in addition to the powers and authorities expressly conferred upon them by statute.

TWELFTH: All corporate powers of the Corporation shall be exercised by the Board of Directors except as otherwise by law or herein provided.

THIRTEENTH: No contract, transaction or act of the Corporation shall be affected by the fact that any director of the Corporation is in any way interested in, or connected with, any party to such contract, transaction or act, or himself is a party to such contract, transaction or act. Any director so interested or connected may be counted in determining the existence of a quorum, at any meeting of the Board of Directors which shall authorize any such contract, transaction or act, and may vote thereat to authorize any such contract, transaction or act with like effect as if he were not so interested or connected. Every

director of the Corporation is hereby relieved from any disability which might otherwise prevent him from contracting with the Corporation, for the benefit of himself or any firm, corporation, company, association, trust or organization in which or with which he may be in anywise interested or connected.

FOURTEENTH: The stockholders and the Board of Directors may, if the By-laws so provide, hold their meetings, have an office or offices and keep the books of the Corporation (except such as are required by the laws of the State of Delaware to be kept in Delaware) within or without the State of Delaware, at such place or places as may from time to time be designated by the Board of Directors.

FIFTEENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 3883 of the Revised Code of 1915 of said State, or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 43 of the General Corporation Law of the State of Delaware, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said Court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the Court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders of this Corporation, as the case may be, and also on this Corporation.

SIXTEENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in its Certificate of Incorporation, or any amendment thereof, in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights conferred upon the stockholders of the Corporation are granted subject to this reservation.

ARTICLE III.

The By-laws of Sunray, as they shall exist on the effective date of this agreement, shall be and remain the By-laws of the Surviving Corporation until the same shall be altered, amended or repealed, as therein provided.

ARTICLE IV.

The outstanding shares of Common Stock of Sunray shall not be changed or converted as a result of the merger, and all shares of such stock which shall be outstanding on the effective date of this agreement (including any shares held in the treasury of Sunray) shall be and be deemed to be shares of Common Stock of the Surviving Corporation, shall remain outstanding, shall be and be deemed to be full-paid and non-assessable and shall be subject to all the provisions of this agreement.

The manner of converting the shares of each of the Constituent Corporations (other than shares of Common Stock of Sunray) into shares of the Surviving Corporation shall be as follows:

(a) Each share of old Preferred Stock of Sunray which shall be outstanding on the effective date of this agreement (including any shares held in the treasury of Sunray) and all rights in respect thereof shall thereupon forthwith be converted into 1 share of 1947 Prior Preferred Stock of the Surviving Corporation.

(b) Each share of Capital Stock of Pacific which shall be outstanding on the effective date of this agreement (except any shares held in the treasury of Pacific or owned by any other Constituent Corporation) and all rights in respect thereof shall thereupon forthwith be converted into 7/10ths of 1 share of 1947 Prior Preferred Stock of the Surviving Corporation. Any shares of Capital Stock of Pacific held in the treasury of Pacific or owned by any other Constituent Corporation on the effective date of this agreement and all rights in respect thereof shall cease to exist, the certificates therefor shall be cancelled and no shares of stock of the Surviving Corporation shall be issued in respect thereof.

(c) Each share of Capital Stock of Mission which shall be outstanding on the effective date of this agreement (except any shares held in the treasury of Mission or owned by any other Constituent Corporation) and all rights in respect thereof shall thereupon forthwith be converted into 6 shares of Common Stock of the Surviving Corporation. Any shares of Capital Stock of Mission held in the treasury of Mission or owned by any other Constituent Corporation on the effective date of this agreement and all rights in respect thereof shall cease to exist, the certificates therefor shall be cancelled and no shares of stock of the Surviving Corporation shall be issued in respect thereof.

(d) After the effective date of this agreement, each holder of an outstanding certificate or certificates which prior thereto represented shares of stock of a Constituent Corporation (other than shares of Common Stock of Sunray) shall surrender the same to the Surviving Corporation, and, subject to the provisions of subdivision (e) below as to fractions of shares, such holder shall be entitled upon such surrender to receive in exchange therefor a certificate or certificates representing the number of shares of stock of the Surviving Corporation into which the shares of stock of such Constituent Corporation which prior to such effective date were represented by such outstanding certificate or certificates so surrendered shall have been converted as aforesaid. Until so surrendered, each such outstanding certificate shall be deemed for all corporate purposes, other than the payment of dividends, to evidence the ownership of the shares of stock of the Surviving Corporation into which the shares of stock of the Constituent Corporation which prior to such effective date were represented thereby have been so converted. Unless and until any such outstanding certificate shall be so surrendered, no dividend payable to holders of record of stock of the Surviving Corporation as of any date subsequent to the effective date of this agreement shall be paid to the holder of such outstanding certificate with respect to the number of shares of stock of the Surviving Corporation into which the shares of stock of such Constituent Corporation which prior to such effective date were represented thereby have been converted, but upon such surrender there shall be paid to the record holder of the certificate for stock of the Surviving Corporation issued in exchange therefor the amount of dividends which has theretofore become payable with respect to the number of full shares of stock of the Surviving Corporation represented by the certificate issued upon such surrender and exchange, plus, in the case of the surrender of any outstanding certificate which prior to the effective date of this agreement represented shares of old Preferred Stock of Sunray, the amount of dividends accrued and unpaid on such shares to such effective date.

(e) No certificates for fractional shares of 1947 Prior Preferred Stock of the Surviving Corporation shall be issued upon any surrender and exchange of certificates which prior to the effective date of this agreement represented shares of Capital Stock of Pacific, but in lieu thereof, if in any case the number of shares of 1947 Prior Preferred Stock of the Surviving Corporation into which the shares of capital stock of Pacific which prior to the effective date of this agreement were represented by a certificate or certificates surrendered as aforesaid have been converted shall include a fraction of a share, the Surviving Corporation shall at its election (1) pay to the person entitled thereto a sum in cash determined by multiplying the sum of \$100 by such fraction, or (2) execute and deliver a non-voting and non-dividend bearing scrip certificate (exchangeable within such period as may be fixed by the Board of Directors, upon surrender thereof with other scrip certificates aggregating one or more full shares, for stock certificates for the number of full shares represented) for such fraction of a share, in such form and containing such terms and conditions as the Board of Directors may approve.

ARTICLE VI.

1. On the effective date of this agreement, the Surviving Corporation shall, without other transfer, succeed to and possess all the rights, privileges, powers, franchises and immunities, as well of a public as of a private nature, and be subject to all the restrictions, disabilities and duties of each of the Constituent Corporations, and all and singular the rights, privileges, powers, franchises and immunities of each of the Constituent Corporations, and all property, real, personal and mixed, and all debts due to either of the Constituent Corporations on whatever account, as well for stock subscriptions as all other things in action or belonging to each of the Constituent Corporations, shall be vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest, shall be thereafter as effectually the property of the Surviving Corporation as they were of the several and respective Constituent Corporations, and the title to any real estate, vested by deed or otherwise, under the laws of the State of Delaware or of the State of Nevada or of any of the other states of the United States, in either of the Constituent Corporations, shall not revert or be in any way impaired by reason of the merger or the General Corporation Law of the State of Delaware or the General Corporation Law of the State of Nevada; provided, however, that all rights of creditors and all liens upon any property of each of the Constituent Corporations shall be preserved unimpaired, limited in lien to the property affected by such liens at the time of such merger, and all debts, liabilities and duties of the respective Constituent Corporations shall thenceforth attach to the Surviving Corporation and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it. The Constituent Corporations hereby respectively agree that from time to time, as and when requested by the Surviving Corporation or by its successors or assigns, they will execute and deliver all such deeds and other instruments and will take or cause to be taken such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest or perfect in, or confirm of record or otherwise, to, the Surviving Corporation title to and possession of all said property, rights, privileges, powers and franchises and otherwise to carry out the purposes of this agreement.

2. The Surviving Corporation shall pay all the expenses of carrying this agreement into effect and of accomplishing the merger.

3. This agreement shall be submitted to the stockholders of each of the Constituent Corporations as provided by law, and it shall take effect and be deemed and be taken to be the agreement and act of merger of said corporations upon the adoption thereof by the stockholders of each of the Constituent Corporations in accordance with the requirements of the General Corporation Law of the State of Delaware and the General Corporation Law of the State of Nevada and upon the execution, filing and recording of such documents and the doing of such acts and things as shall be required for accomplishing the merger by the General Corporation Law of the State of Delaware and the General Corporation Law of the State of Nevada.

4. Anything herein or elsewhere to the contrary notwithstanding, (a) this agreement shall not become effective and shall be null and void for all purposes if Sunray shall not have acquired, prior to or simultaneously with the time at which this agreement is otherwise to become effective, and shall not then be the owner and holder of, the 699,422 shares of Capital Stock of Pacific now owned by Thomas A. J. Dockweiler and George Franklin Getty, II, as trustees under a Declaration of Trust dated December 31, 1934, naming Sarah C. Getty as trustor and J. Paul Getty as original trustee, and the 470,027 shares of Capital Stock of Pacific now owned by J. Paul Getty, individually and as testamentary trustee under the Decree of Partial Liquidation of the Estate of Sarah C. Getty, deceased, and (b) this agreement may be abandoned (1) by any of the Constituent Corporations at any time prior to its adoption by the stockholders of all of the Constituent Corporations, or (2) by mutual consent of the Constituent Corporations at any time prior to its effective date.

5. The Surviving Corporation agrees that it may be served with process in the State of Nevada in any proceeding for enforcement of any obligation of Mission, including any amount fixed by appraisers

or the District Court pursuant to the provisions of Section 41 of the General Corporation Law of the State of Nevada, and hereby irrevocably appoints the Secretary of State of the State of Nevada as its agent to accept service of process in any action for the enforcement of payment of any such obligation or any amount fixed by appraisers, as aforesaid. The address to which a copy of such process shall be mailed by said Secretary of State is: Sunray Oil Corporation, Tulsa, Oklahoma.

6. For the convenience of the parties and to facilitate the filing or recording of this agreement, any number of counterparts thereof may be executed, and each such executed counterpart shall be deemed to be an original instrument.

IN WITNESS WHEREOF, the Constituent Corporations have caused this agreement to be signed in their respective corporate names by their respective Presidents or Vice-Presidents and their corporate seals to be hereunto affixed and attested by their respective Secretaries or Assistant Secretaries, and a majority of the directors of each of the Constituent Corporations have hereunto set their hands, all as of the day and year first above written.

SUNRAY OIL CORPORATION

SUNRAY OIL CORPORATION
CORPORATE SEAL
1929
DELAWARE

By C. H. WRIGHT
President.

Attest:

W. D. FORSTER
Secretary.

C. H. WRIGHT
A. A. SEELIGSON
GLENN J. SMITH
ALFRED L. ROSE
THOMAS L. BOWERS
F. B. PARRIOTT
PAUL E. TALIAFERRO
F. L. MARTIN
W. D. FORSTER
EDWARD HOWELL

A majority of the directors of Sunray Oil Corporation.

PACIFIC WESTERN OIL CORPORATION

PACIFIC WESTERN OIL CORPORATION
CORPORATE SEAL
1928
DELAWARE

By D. T. STAPLES
President.

Attest:

CHARLES F. KRUG
Secretary.

D. T. STAPLES
FRANK A. PAGET
EDWARD GROTH
FERO WILLIAMS
RULOFF E. CUTTEN

A majority of the directors of Pacific Western Oil Corporation.

MISSION CORPORATION

MISSION CORPORATION
INCORPORATED
DECEMBER 31, 1934
NEVADA

By D. T. STAPLES
President.

Attest:

ROBERT Z. HAWKINS
Secretary.

ARTHUR M. BOAL
D. T. STAPLES
FERO WILLIAMS
EMIL KLUTH

A majority of the directors of Mission Corporation.

EXHIBIT B-1

Section 61 of the General Corporation Law of Delaware

SEC. 61. CONSOLIDATION OR MERGER; PAYMENT FOR STOCK OF DISSATISFIED STOCKHOLDERS:—If any stockholder in any corporation of this State consolidating or merging as aforesaid, who objected thereto in writing and whose shares were not voted in favor of such consolidation or merger, and who filed such written objection with the corporation before the taking of the vote on such consolidation or merger, shall within twenty days after the date on which the agreement of consolidation or merger has been filed and recorded, as aforesaid, demand in writing, from the corporation resulting from or surviving such consolidation or merger, payment for his stock, such resulting or surviving corporation shall, within thirty days after the expiration of said period of twenty days, pay to him the value of his stock on the date of the recording of said agreement of consolidation or merger, exclusive of any element of value arising from the expectation or accomplishment of such consolidation or merger. If during said period of thirty days the corporation and any such stockholder fail to agree as to the value of such stock, any such stockholder, or the corporation resulting from or surviving such consolidation or merger, may by petition filed in the Court of Chancery within four months after the expiration of said period of thirty days demand a determination of the value of the stock of all such stockholders by an appraiser to be appointed by the Chancellor.

Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the corporation, which shall within ten days after such service file in the office of the Register in Chancery in which said petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment of their shares and with whom agreements as to the value of their shares have not been reached by the corporation. If the petition shall be filed by the corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery shall give notice of the time and place fixed for the hearing of such petition by registered mail to the corporation and to the stockholders shown upon said list at the addresses therein stated, and notice shall also be given by publishing a notice at least once a week for two successive weeks, the second publication to appear at least one week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware. The Court shall have power to direct such additional publications of notice as it may deem advisable. The forms of the notices by mail and by publication shall be approved by the Court.

After the hearing of such petition the Court shall determine the shareholders who have complied with the provisions of this section and become entitled to the valuation of and payment for their shares, and shall appoint an appraiser to determine such value. Such appraiser shall have power to examine any of the books and records of the corporation the stock of which he is charged with the duty of valuing, and he shall make a determination of the value of the shares upon such investigation as to him may seem proper. The appraiser shall also afford a reasonable opportunity to the parties interested to submit to him pertinent evidence on the value of the shares. The appraiser, also, shall have such powers and authority as may be conferred upon Masters by the Rules of the Court of Chancery or by the order of his appointment.

The appraiser shall determine the value of the stock of the stockholders adjudged by the Chancellor to be entitled to payment therefor and shall file his report respecting such value in the office of the Register in Chancery and notice of the filing of such report shall be given by the Register in Chancery to the parties in interest. Such report shall be subject to exceptions to be heard before the Court both upon the law and facts. After hearing exceptions to the said report the Court shall by its decree determine the value of the stock of the stockholders entitled to payment therefor and shall direct the payment of such value to the stockholders entitled thereto by the resulting or surviving corporation upon the transfer to it of the certificates representing such stock, which decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such resulting or surviving corporation be a corporation of this State or of any other State of the United States of America. The shares of the surviving or resulting corporation into which the shares of such dissenting stockholders would have been converted had they assented to the consolidation or merger shall have the status of authorized and unissued shares of the surviving or resulting corporation, as the case may be.

The cost of any such appraisal, including a reasonable fee to and the reasonable expenses of the appraiser, but exclusive of fees of counsel or of experts retained by any party, may on application of any party in interest be determined by the Chancellor and taxed upon the parties to such appraisal or any of them as may appear to be equitable, except that the cost of giving the notice by publication and by registered mail hereinabove provided for shall be paid by the corporation.

Any stockholder who shall have demanded payment of his stock as herein provided shall not thereafter be entitled to vote such stock for any purpose or be entitled to the payment of dividends or other distribution on said stock (except dividends payable to stockholders of record at a date which is prior to the date of the recording of said agreement) unless the appointment of an appraiser shall not be applied for within the time herein provided, or the proceeding be dismissed as to such stockholder, or unless such stockholder shall with the written approval of the corporation deliver to the corporation a written withdrawal of his objections to and an acceptance of such consolidation or merger, in any of which cases the right of such stockholder to payment of his stock shall cease.

At the time of appointing the appraiser or at any time thereafter the Court may require the dissenting stockholders to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings, and if any stockholder fails to comply with such direction the Court may dismiss the proceedings as to such stockholder.

This section shall apply only to cases of agreements of consolidation or merger filed after the date of the approval of this Act. All prior cases shall be governed by the law in force immediately prior to the approval of this Act, which, as to such cases, and only such cases, is continued in force and effect.

EXHIBIT B-2

Section 41 of the General Corporation Law of Nevada

SEC. 41. In the case of a merger or consolidation pursuant to the provisions of section 39 and 40 of this act, if any stockholder of any constituent corporation shall vote against said agreement and shall, at or prior to the taking of the vote thereon, object thereto in writing, and if such stockholder shall also, within twenty days after the date on which said agreement is filed as in section 39 of this act provided, demand in writing from the surviving or consolidated corporation payment of his shares, the surviving or consolidated corporation shall, within thirty days thereafter, pay to such stockholder the fair cash value of his shares as of the day before the vote on the agreement of merger or consolidation was taken exclusive of any element of value arising from the expectation or accomplishment of the merger or consolidation. If within thirty days after the date such written demand is served upon the surviving or consolidated corporation, the stockholder and the surviving or consolidated corporation fail to come to an agreement as to the fair cash value of said shares, the stockholder, provided he has complied with the conditions hereinabove set forth in this section, may appeal by petition to the district court of the county in which the principal office of the surviving or consolidated corporation is located, if such corporation is a corporation organized under the laws of this state, or to the second judicial district court of this state, if such corporation is a corporation organized under the laws of any state other than the laws of this state, to appoint three appraisers to appraise the fair cash value of such stockholder's shares. The appraisers shall proceed forthwith to determine the fair cash value per share of said stock, and said appraisers, or a majority of them, shall make a report within the time fixed by the court and shall file such report in court. The report of the appraisers as to the fair cash value of said shares, if not opposed within ten days after said report shall have been filed in court, shall be confirmed by the court, and when confirmed shall be final and conclusive; but if said report is opposed, said opposition shall be tried summarily and judgment rendered thereon by the court. If the appraisers or a majority of them fail to make and file a report within ten days, or within such further time as may be allowed by the court, the court shall determine the fair cash value of said shares and render judgment therefor. The costs of the proceeding, including reasonable compensation to the appraisers to be fixed by the court, shall be assessed or apportioned, as the court may consider equitable, but if the appraisal exceed the price offered by the surviving or consolidated corporation, such corporation shall pay such costs. Any party shall have the right of appeal according to existing laws, provided said appeal be taken within ten days after the signing of the judgment.

On the making of said demand in writing as aforesaid, any such stockholder shall cease to be a stockholder in said surviving or consolidated corporation and shall have no rights with respect to such shares, except as hereinafter provided in this section and except the right as a creditor to receive payment therefor as aforesaid, and upon payment of the agreed fair cash value of the shares or of the value of the shares under final judgment, said stockholder shall transfer his shares to the surviving or consolidated corporation; and in the event the surviving or consolidated corporation shall fail to pay the amount of said judgment within ten days after the same shall become final, said judgment may be collected and enforced in the manner prescribed by law for the enforcement of judgments.

Each stockholder in each of the constituent corporations at the time the merger or consolidation becomes effective, who failed to vote against the merger or consolidation or object thereto in writing as aforesaid or to demand in writing payment of his shares as aforesaid, shall be deemed to have assented to the merger or consolidation, and, together with the stockholders voting in favor of the merger or consolidation, shall be entitled to receive certificates for shares in the surviving or consolidated corporation or cash, property or securities in lieu of shares, in the manner and on the terms specified in the agreement of merger or consolidation.

EXHIBIT C-1

FINANCIAL STATEMENTS

OF

SUNRAY OIL CORPORATION

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors,
SUNRAY OIL CORPORATION,
Tulsa, Oklahoma.

We have examined the balance sheet of Sunray Oil Corporation as of December 31, 1946, and the statements of income and surplus for the years 1944, 1945 and 1946, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying financial statements (pages 2 to 8, inclusive) present fairly the position of Sunray Oil Corporation at December 31, 1946, and the results of its operations for the years 1944, 1945 and 1946, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

Chicago, Illinois.
March 3, 1947.

SUNRAY OIL CORPORATION (DELAWARE)

BALANCE SHEET—DECEMBER 31, 1946

A S S E T S

CURRENT :

Cash on hand and demand deposits.....		\$ 6,724,883.05	
United States Government obligations, at cost and accrued interest.....		2,343,323.28	
Accounts receivable :			
Customers' accounts	\$ 2,018,892.15		
Other accounts	301,017.41		
	<u>\$ 2,319,909.56</u>		
Less : Reserve for doubtful accounts.....	7,500.00		2,312,409.56
Inventories :			
Crude oil and refined products, at or below quoted market prices, plus transportation (Note A) :			
Crude oil	\$ 303,393.92		
Refined products	373,660.00	\$ 677,053.92	
Resale merchandise, at cost.....		1,284.58	
Supplies, at the lower of average cost or market, less allowance for condition		864,212.98	1,542,551.48
Total current assets.....			<u>\$12,923,167.37</u>

OTHER ASSETS :

Sunray Oil Corporation 4¼% cumulative preferred stock, series A, purchased in anticipation of purchase fund requirements—3,000 shares of \$100 each par value, at cost (Note B).....	\$ 242,100.00		
Cash surrender value of insurance on life of officer.....	112,231.90		
Investments in securities for which market quotations are not avail- able, at cost	163,001.00		
Notes and accounts receivable, employees.....	20,178.25		537,511.15

DEFERRED CHARGES :

Insurance, taxes, etc.	\$ 74,756.26		
Financing expenses (amortized ratably over the life of the debentures)	125,839.39		200,595.65

PROPERTY, PLANT, AND EQUIPMENT (Note C) :

Producing leases, producing royalties, development costs, refinery and other equipment	\$115,829,999.40		
Less : Reserve for depletion and depreciation.....	42,795,195.70		
	<u>\$ 73,034,803.70</u>		
Nonproducing leases, royalties, etc.....	\$5,314,473.90		
Less : Reserve	75,017.46	5,239,456.44	78,274,260.14

\$91,935,534.31

The notes to financial statements are an integral part of this balance sheet.

SUNRAY OIL CORPORATION (DELAWARE)

BALANCE SHEET—DECEMBER 31, 1946

L I A B I L I T I E S

CURRENT:

1 $\frac{7}{8}$ % promissory note—installment payable August 1, 1947 (Note D).....		\$ 1,000,000.00
Dividends payable January 1, 1947.....		467,130.30
Accounts payable:		
Trade	\$ 1,328,804.12	
Other, including commissions	114,847.11	1,443,651.23
Withholdings from employees for taxes and savings bonds.....		37,465.58
Accrued liabilities:		
Taxes, other than income.....	\$ 65,976.68	
Salaries and wages	66,170.79	
Interest and insurance	63,541.65	195,689.12
Provision for federal and state income taxes.....		846,542.78
Total current liabilities (Notes B, C and E).....		<u>\$ 3,990,479.01</u>

DEFERRED LIABILITIES:

Accounts payable in seven annual installments of \$108,833.47, commencing in 1948, and six annual installments of \$66,666.67 thereafter, without interest.....	1,161,834.26
---	--------------

FUNDED DEBT (Note D):

1 $\frac{7}{8}$ % promissory note—payable \$500,000 semi-annually commencing February 1, 1948	\$ 9,000,000.00	
Twenty year 2 $\frac{7}{8}$ % debentures, due July 1, 1966.....	20,000,000.00	29,000,000.00

PROVISION FOR ADDITIONAL FEDERAL AND STATE INCOME TAXES (Note E).....	531,566.58
---	------------

CONTINGENT LIABILITIES (Note F)

C A P I T A L

CAPITAL STOCK:

Preferred—par value \$100, authorized 470,000 shares issuable in series (Notes B and G):		
4 $\frac{1}{4}$ % cumulative, series A, authorized and issued 270,000 shares	\$ 27,000,000.00	
Less: 68.4 shares in treasury.....	6,840.00	
Outstanding 269,931.6 shares	\$ 26,993,160.00	
Common—par value \$1 (Note H):		
Authorized—5,000,000 shares		
Issued—4,699,801.325 shares	\$4,699,801.33	
Less: 10,615.025 shares in treasury.....	10,615.03	
Outstanding—4,689,186.3 shares	4,689,186.30	31,682,346.30

SURPLUS:

Capital	\$ 17,531,327.93	
Earned since September 1, 1934 (including earned surplus of merged company since January 1, 1934) (Note D).....	8,037,980.23	25,569,308.16
		<u>\$91,935,534.31</u>

The notes to financial statements are an integral part of this balance sheet.

SUNRAY OIL CORPORATION

INCOME STATEMENT

For the years 1944, 1945 and 1946

	1944		1945		1946	
Gross operating income (Note A):						
Production division—principally oil and natural gas produced, at market prices, including oil deliveries to own refineries of \$417,931.25 in 1944, \$394,401.53 in 1945 and \$1,303,224.06 in 1946.....	\$6,904,352.17		\$ 7,999,220.37		\$13,428,015.46	
Refining and marketing division.....	4,305,884.84	\$11,210,237.01	4,621,874.08	\$12,621,094.45	7,394,187.55	\$20,822,203.01
Operating charges (Note A):						
Cost and operating expenses, exclusive of items shown separately:						
Production division	\$1,875,107.35		\$ 2,014,502.61		\$ 2,838,129.73	
Refining and marketing division	3,381,013.90		3,660,809.25		6,473,008.27	
	\$5,256,121.25		\$ 5,675,311.86		\$ 9,311,138.00	
Depletion and depreciation (Note K)	2,311,716.71		2,400,115.64		3,567,912.14	
Abandonments of leases and royalties, dry holes charged off, etc.....	905,800.24		1,326,944.90		\$ 1,102,999.67	
Selling, general and administrative expenses	727,888.05	9,201,526.25	872,617.77	10,274,990.17	1,218,718.07	15,200,767.88
Operating income		\$ 2,008,710.76		\$ 2,346,104.28		\$ 5,621,435.13
Other income:						
Interest—securities and accounts and notes receivable	\$ 31,184.47		\$ 23,331.13		\$ 28,979.77	
Discounts	21,861.27		23,386.88		30,933.41	
Profit on sale of securities (based on cost of specific certificates).....	11,086.86		23,890.55			
Profit or (loss) on sale of plant assets	67,842.78		59,360.94		(45,696.83)	
Miscellaneous	19,080.68	151,056.06	16,130.24	146,099.74	21,457.94	35,674.29
		\$ 2,159,766.82		\$ 2,492,204.02		\$ 5,657,109.42
Income deductions:						
Interest on funded debt.....	\$ 343,408.43		\$ 494,500.00		\$ 623,731.55	
Other interest	33,045.08		20,595.34		25,720.53	
Amortization of financing expense....	4,528.99		2,801.47		5,191.81	
Discounts	40,279.03	421,261.53	45,436.32	563,333.13	61,748.38	716,392.27
Income before provision for income taxes		\$ 1,738,505.29		\$ 1,928,870.89		\$ 4,940,717.15
Provision for federal and state income taxes—estimated (Notes I and J):						
Federal income taxes (normal and surtax only).....	\$ 120,000.00		\$ 50,000.00		\$ 650,000.00	
State income taxes.....	75,000.00	195,000.00	60,000.00	110,000.00	15,000.00	665,000.00
Net income (Notes A, I, J and L)		\$ 1,543,505.29		\$ 1,818,870.89		\$ 4,275,717.15

The notes to financial statements are an integral part of this income statement.

SUNRAY OIL CORPORATION

STATEMENTS OF SURPLUS

For the years 1944, 1945 and 1946

CAPITAL SURPLUS	1944	1945	1946
Balance at beginning of period.....	\$3,226,723.18	\$3,161,136.11	\$ 3,214,534.72
Add:			
Excess over par value of amount realized from issuance and sale of 1,000,000 shares of common stock, less underwriting commission and other expenses.....	.....	.....	8,427,011.63
Excess of par value of 4½ percent cumulative convertible preferred stock (1,600 shares in 1945 and 169,889 shares in 1946) over par value of common stock into which converted (8,520 shares in 1945 and 904,658.925 shares in 1946).....	.....	55,480.00	5,890,901.07
	<u>\$3,226,723.18</u>	<u>\$3,216,616.11</u>	<u>\$17,532,447.42</u>
Deduct:			
Charges resulting from transactions in 5½ percent cumulative convertible preferred stock:			
Excess of cost over par value of 713 shares purchased for sinking fund or treasury	\$ 1,194.57	.....	.....
Excess of redemption price over par value of 25,757 shares called for redemption in June 1944.....	64,392.50	.....	.....
Excess of purchase price over par value of common stock acquired (1,829.3 shares in 1945 and 547.73 shares in 1946) less portion charged to earned surplus.....	.....	\$ 2,081.39	\$ 1,119.49
	<u>\$ 65,587.07</u>	<u>\$ 2,081.39</u>	<u>\$ 1,119.49</u>
Balance at close of period.....	<u>\$3,161,136.11</u>	<u>\$3,214,534.72</u>	<u>\$17,531,327.93</u>

EARNED SURPLUS SINCE SEPTEMBER 1, 1934

Balance at beginning of period.....	\$4,659,741.93	\$5,290,515.48	\$ 6,230,497.51
Add: Net income, as annexed (Notes A, I and L).....	1,543,505.29	1,818,870.89	4,275,717.15
	<u>\$6,203,247.22</u>	<u>\$7,109,386.37</u>	<u>\$10,506,214.66</u>
Deduct:			
Excess of purchase price over par value of common stock acquired (1,829.3 shares in 1945, and 547.73 in 1946), less portion charged to capital surplus.....	.....	\$ 7,777.21	\$ 4,740.68
Adjustment of legal and other expenses, amounts paid to dissenting stockholders of Superior Oil Corporation, etc.....	\$ (1,045.22)	.....	.....
Premiums and unamortized balance of financing expenses relating to:			
First mortgage notes and debentures called for redemption in June 1944.....	179,047.65	.....	.....
Fifteen year 3¾ percent sinking fund debentures, due June 1, 1959, called for redemption September 3, 1946.....	.....	.....	698,898.11
Premium on 4,205 shares of 4½ percent cumulative convertible preferred stock called for redemption July 17, 1946.....	.....	.....	6,307.50
Cash dividends:			
On 5½ percent cumulative convertible preferred stock (called for redemption in June 1944)—\$1.909 per share.....	31,089.94	.....	.....
On 4½ percent cumulative convertible preferred stock (issued in June 1944)—84.6 cents per share in 1944, \$1.80 per share in 1945 and \$1.27 per share in 1946	148,637.97	316,250.55	138,407.99
On 4¼ percent cumulative preferred stock, series A—\$1.75 per share.....	.....	.....	467,130.30
On common stock—20 cents per share in 1944 and 1945, 30 cents per share in 1946	555,001.40	554,861.10	1,152,749.85
	<u>\$ 912,731.74</u>	<u>\$ 878,888.86</u>	<u>\$ 2,468,234.43</u>
Balance at close of period (including earned surplus of merged company since January 1, 1934) (Notes A, D and I).....	<u>\$5,290,515.48</u>	<u>\$6,230,497.51</u>	<u>\$ 8,037,980.23</u>

The notes to financial statements are an integral part of these statements of surplus.

SUNRAY OIL CORPORATION

NOTES TO FINANCIAL STATEMENTS

- (A) *Inventories:* The system of accounting does not provide facilities for determining the amount of unrealized profit included in the inventory of crude oil and refined products, which is estimated to have been \$33,000 at December 31, 1943, \$60,000 at December 31, 1944, \$115,000 at December 31, 1945 and \$290,000 at December 31, 1946. These estimated amounts of unrealized profit increased the indicated earnings (before taxes on income) for 1944 by \$27,000, 1945 by \$55,000 and 1946 by \$175,000, such amounts being the excess of the unrealized profit in the inventories at the end of each year over the unrealized profit in the inventories at the beginning of each of such years.

The inventories of crude oil, refined products and resale merchandise, priced on the bases indicated on the accompanying balance sheet, were as follows:

December 31, 1943.....	\$252,253.85
Acquired on June 12, 1944 in merger with Darby Petroleum Corporation	26,171.19
December 31, 1944.....	447,135.16
December 31, 1945.....	529,992.67
Acquired on August 2, 1946 in merger with Transwestern Oil Company	105,797.74
December 31, 1946.....	678,338.50

- (B) *Preferred Stock Purchase Fund:* The Company is obligated to provide semi-annually, commencing February 1, 1947 until August 1, 1951, a purchase fund of \$405,000 in cash to be used for the retirement at not more than \$100 per share of preferred stock, series A. In lieu of cash, on the first day of each semi-annual period there may be applied to such purchase fund at \$100 per share preferred stock acquired other than through the operation of this purchase fund. After five months the unexpended balance in the purchase fund becomes available for general corporate purposes. On and after February 1, 1952 the preferred stock will be entitled to the benefit of a sinking fund in lieu of the purchase fund.
- (C) *Property, Plant, and Equipment:* Leases, royalties, development costs and equipment are stated at cost; the costs of leases include lease rentals paid, except that as to leases acquired by merger into Sunray Oil Corporation in 1943 of Superior Oil Corporation and in 1946 of Transwestern Oil Company the lease rentals incurred prior to such mergers are not included. Commitments for purchases of properties, development, pipe line and other construction work to be completed after December 31, 1946 amounted to approximately \$1,000,000.
- (D) *Funded Debt:* The loan agreement relating to the 17/8% promissory note and the indenture relating to the twenty year 27/8% debentures restrict the payment of dividends (other than stock dividends) and purchase of stock of the corporation except out of the aggregate of net income earned since December 31, 1945, plus \$1,000,000. The earned surplus so available at December 31, 1946 was \$3,262,081.51. Under the terms of the indenture relating to the twenty year 27/8% debentures, due July 1, 1966, the company is obligated to provide, beginning in 1956, a sinking fund to redeem \$1,000,000 principal semi-annually.
- (E) *Provision for Additional Federal and State Income Taxes:* Approximately one-half of this provision relates to federal income taxes, and interest thereon, on income derived in 1940, 1941, and 1942 from leases granted by the State of Oklahoma. Federal income and excess profits tax returns for those years are under review by the Bureau of Internal Revenue and, in the event of final determination in 1947, such portion of the provision for additional taxes and interest as may be determined would become a current liability.
- (F) *Contingent Liabilities:* There are pending against the company a number of suits incident to the operation of an oil business, but, in the opinion of counsel, the ultimate liability or loss will not be of material importance in relation to the total assets of the company.
- (G) *Preferred Stock:* The 4 1/4% cumulative preferred stock, series A, is entitled to \$100 per share on involuntary liquidation, and is callable at, and entitled on voluntary liquidation to, \$104 per share (\$27,760,886.40 in respect of 266,931.6 shares) prior to July 1, 1948, and progressively reduced amounts thereafter.

SUNRAY OIL CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

(H) *Common Stock:* Shares of common stock are reserved:

For sale under option agreement at \$10.875 per share on or before July 15, 1949, or at \$11.875 per share thereafter on or before July 15, 1952.....	90,000
For possible subscription by shareholders entitled to purchase fractional shares	11
	<u>90,011</u>

(I) *Intangible Drilling and Development Costs:* Under the federal income tax regulations and in conformity with an election exercised in 1943, intangible drilling and development costs of \$901,100, \$1,360,200, and \$1,564,000, capitalized in 1944, 1945 and 1946, respectively, have been deducted from income for tax purposes.

(J) *Income Tax Deduction, 1946:* The provision for federal and state income taxes, as shown in the accompanying income statement, is approximately \$285,000 less, and the net income correspondingly more, as a result of the deduction for tax purposes, of the premium and unamortized expenses on the 3¾% debentures called for redemption in 1946, which premium and expenses were charged direct to earned surplus.

(K) *Depletion, Depreciation and Maintenance Policy:* Depletion of producing properties and depreciation of lease and other equipment, the useful life of which is directly related to a specific property, are computed on the basis of the production from each property at individual rates per barrel of oil or per cubic foot of gas. Such rates are determined by dividing the costs of the respective properties by estimated reserves of oil or gas.

Depreciation of other depreciable properties is based on the estimated useful lives of the respective classes of equipment; the rates used are 33⅓ percent per annum for automotive equipment and from 5 to 20 percent per annum for other classes of equipment.

Unoperated leases and non-producing royalties are not depreciated or amortized. The cost of any interest not renewed is charged against income in the month of expiration.

It is the policy to charge to costs or expense, as appropriate, amounts expended for maintenance and repairs and to capitalize expenditures for renewals and betterments.

Accumulated reserves relating to properties retired or otherwise disposed of are adjusted at the times of such retirements or other dispositions.

(L) *Operations of Liquidated Subsidiary and Merged Companies:* On June 30, 1944, Sunray Oil Company (then a wholly-owned subsidiary) was placed in liquidation and, pursuant to the plan of such liquidation, its net assets were transferred to the Sunray Oil Corporation. The accompanying statement of income includes the operations of such liquidated subsidiary from January 1, 1944 to the date of liquidation in the manner as though its operations had been conducted by the Sunray Oil Corporation.

The accompanying statement of income also includes, from the date of acquisition, the operations of the properties acquired by merger from the Darby Petroleum Corporation on June 12, 1944.

On August 2, 1946 Transwestern Oil Company was merged with and into Sunray Oil Corporation and the accompanying income statement includes the operations of Transwestern's properties from that date.

SUNRAY OIL CORPORATION

SUPPLEMENTARY PROFIT AND LOSS INFORMATION

For the years 1944, 1945 and 1946

Item	Charged directly to profit and loss		Charged to other accounts		Total
	To costs	Other	Account	Amount	
1. Maintenance and repairs:					
Year 1944	\$769,890.79	\$ 480.26			\$ 770,371.05
Year 1945	746,763.86				746,763.86
Year 1946	922,983.24	5,143.42			928,126.66
2. Depreciation, depletion, and amortization of fixed and intangible assets:					
Year 1944		\$2,311,716.71			2,311,716.71
Year 1945		2,400,115.64			2,400,115.64
Year 1946		3,567,912.14			3,567,912.14
3. Taxes, other than income and excess profits taxes:					
Year 1944:					
Production	\$266,897.51				266,897.51
State franchise		25,406.30			25,406.30
Federal capital stock.....		13,312.54			13,312.54
Ad valorem	76,733.46	5,579.48			82,312.94
Pipe line transportation.....	5,687.18				5,687.18
Social security	13,910.15	6,311.66	Property	\$ 534.59	20,756.40
Documentary and miscellaneous	12,855.85	5,987.06	Property	22,520.64 }	55,663.55
			Deferred charges	14,300.00 }	
	<u>\$376,084.15</u>	<u>\$ 56,597.04</u>		<u>\$ 37,355.23</u>	<u>\$ 470,036.42</u>
Year 1945:					
Production	\$269,031.01				\$ 269,031.01
State franchise		\$ 27,273.39			27,273.39
Federal capital stock.....		7,375.00			7,375.00
Ad valorem	116,114.95	6,394.37			122,509.32
Pipe line transportation.....	5,518.98				5,518.98
Social security and all other.....	28,838.39	6,700.58	Property	\$ 902.51	36,441.48
	<u>\$419,503.33</u>	<u>\$ 47,743.34</u>		<u>\$ 902.51</u>	<u>\$ 468,149.18</u>
Year 1946:					
Production	\$416,820.38				\$ 416,820.38
State franchise		\$ 28,253.80			28,253.80
Ad valorem	227,258.72	4,657.05			231,915.77
Pipe line transportation.....	6,102.48				6,102.48
Social security and all other.....	42,168.20	16,914.74	Plant, property and equip- ment	\$ 3,024.04	62,106.98
	<u>\$692,349.78</u>	<u>\$ 49,825.59</u>		<u>\$ 3,024.04</u>	<u>\$ 745,199.41</u>
4. Management and service contract fees....					None
5. Rents and royalties:					
Year 1944	\$ 78,640.02	\$ 44,371.87	Property	\$149,185.13	\$ 272,197.02
Year 1945	73,792.09	50,210.50	Property	228,426.30	352,428.89
Year 1946	113,136.07	55,100.75	Property	336,755.25	504,992.07

EXHIBIT C-2

FINANCIAL STATEMENTS

OF

TRANSWESTERN OIL COMPANY

(merged into Sunray Oil Corporation as of August 2, 1946)

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Directors

SUNRAY OIL CORPORATION

We have examined the accompanying statements and schedules of Transwestern Oil Company for the two years and seven months ended July 31, 1946. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

Transwestern Oil Company was merged with Sunray Oil Corporation as of August 2, 1946 and we did not examine the accounts of Sunray Oil Corporation subsequent to July 31, 1946 to determine whether any transactions had been recorded in its books affecting the accounts of the merged company.

In our opinion, the annexed statements of profit and loss and surplus and notes thereto (pages 2 to 6) present fairly the results of operations of Transwestern Oil Company for the two years and seven months ended July 31, 1946 in conformity with generally accepted accounting principles applied on a consistent basis during the period under review.

PRICE, WATERHOUSE & Co.

Houston, Texas,

October 14, 1947 as of October 3, 1946.

TRANSWESTERN OIL COMPANY

(Merged into Sunray Oil Corporation as of August 2, 1946)

STATEMENT OF PROFIT AND LOSS

For the two years and seven months ended July 31, 1946

(See "Notes to Statement of Profit and Loss")

	Year Ended December 31,		January 1, to July 31, 1946
	1944	1945	
Income from oil and gas sales and royalties.....	\$5,995,505	\$6,756,545	\$4,219,065
Expenses and costs:			
Lease operating expense.....	\$ 601,535	\$ 657,648	\$ 447,372
Provision for depletion, depreciation and amortization (Note 3)	1,166,947	1,208,796	681,068
Dry hole losses and contributions.....	301,697	621,578	204,997
Surrendered leases and royalties.....	232,587	229,230	151,651
Lease rentals	148,626	203,651	140,401
Geophysical expense	98,813	154,882	180,372
Production, property and payroll taxes.....	300,281	383,449	237,720
General and administrative expense.....	282,943	375,046	238,964
	<u>\$3,133,429</u>	<u>\$3,834,280</u>	<u>\$2,282,545</u>
Operating profit	<u>\$2,862,076</u>	<u>\$2,922,265</u>	<u>\$1,936,520</u>
Miscellaneous income:			
Profit on disposal of fixed assets.....	\$ 2,649	\$ 112,334	\$ 21,640
Interest	13,267	13,354	7,423
Sundry	8,290	9,576	6,305
	<u>\$ 24,206</u>	<u>\$ 135,264</u>	<u>\$ 35,368</u>
	<u>\$2,886,282</u>	<u>\$3,057,529</u>	<u>\$1,971,888</u>
Miscellaneous charges	\$ 2,086	\$ 1,400	\$ 1,300
Profit before provision for taxes on income.....	<u>\$2,884,196</u>	<u>\$3,056,129</u>	<u>\$1,970,588</u>
Provision for estimated taxes on income:			
State income taxes.....	\$ 20,000	\$ 10,000	.....
Federal income taxes (Note 5).....	80,000	270,000	\$ 328,500
	<u>\$ 100,000</u>	<u>\$ 280,000</u>	<u>\$ 328,500</u>
Net profit for the period.....	<u>\$2,784,196</u>	<u>\$2,776,129</u>	<u>\$1,642,088</u>

TRANSWESTERN OIL COMPANY

(Merged into Sunray Oil Corporation as of August 2, 1946)

STATEMENT OF SURPLUS

For the two years and seven months ended July 31, 1946

	Year Ended December 31,		January 1, to July 31, 1946
	1944	1945	
Paid-in surplus:			
Balance at December 31, 1943, 1944, 1945 and July 31, 1946 (no change during period).....	<u>\$1,367,259</u>	<u>\$1,367,259</u>	<u>\$1,367,259</u>
Earned surplus:			
Balance at beginning of period.....	\$2,237,180	\$4,458,876	\$6,110,005
Profit for the period.....	<u>2,784,196</u>	<u>2,776,129</u>	<u>1,642,088</u>
	\$5,021,376	\$7,235,005	\$7,752,093
Dividends declared of 75¢ and \$1.50 per share, respectively for the years 1944 and 1945.....	<u>562,500</u>	<u>1,125,000</u>	<u>.....</u>
Balance at end of period.....	<u>\$4,458,876</u>	<u>\$6,110,005</u>	<u>\$7,752,093</u>

TRANSWESTERN OIL COMPANY

(Merged into Sunray Oil Corporation as of August 2, 1946)

NOTES TO STATEMENT OF PROFIT AND LOSS

NOTE 1—MERGER WITH SUNRAY OIL CORPORATION:

An Agreement of Merger dated May 28, 1946 provided for the purchase by Sunray Oil Corporation of all of the outstanding capital stock of Transwestern Oil Company as of August 2, 1946 and the merger of the latter company into the former company as of that date.

NOTE 2—CERTAIN ACCOUNTING POLICIES WITH RESPECT TO FIXED ASSETS:

1. Exploration and geophysical expense, cost of dry holes and lease rentals have been charged to profit and loss as expended.

2. Lease bonuses and the cost of nonproducing royalties have been capitalized as paid and not amortized.

3. Upon the surrender or expiration of any nonproducing lease, condemnation by exploration of any royalty, or complete abandonment of any producing lease, the amount remaining in the accounts has been charged to profit and loss. No charge has been made to profit and loss for the abandonment of a well located on a property with a producing well.

4. All development costs (tangible and intangible) of producing wells have been capitalized.

NOTE 3—DEPLETION, DEPRECIATION, AND AMORTIZATION:

Depletion of producing leases and royalties, depreciation of tangible equipment on leases and amortization of intangible drilling expenditures have been provided for from the inception of the company on the unit rate of production method applied in each case to individual properties.

To determine the rate used:

1. As to producing leases and royalties—The net depleted book value of a given producing lease or royalty is divided by the company's interest in the estimated remaining recoverable oil from such property, including the amount estimated to be recoverable as a result of estimated additional development.

2. As to tangible equipment on leases—The net depreciated book value of tangible equipment on a given property, plus an amount estimated to be sufficient to develop economically such property, is divided by the recoverable oil reserves computed as explained in 1 above.

3. As to intangible drilling expenditures—The net unamortized book value of intangible drilling expenditures on a given property, plus an amount estimated to be sufficient to develop economically such property, is divided by the recoverable oil reserves computed as explained in 1 above.

Provision for depreciation of other equipment has been based on the estimated life of the equipment, which resulted in the use of rates as follows:

Automobiles and trucks.....	33⅓%
Cleanout units	25
Salt water systems and oil treating units.....	20
Gas systems	12½
Water systems, camps, and office equipment.....	10

Maintenance and repairs have been charged to profit and loss, and renewals and betterments have been capitalized. The cost and accrued reserves applicable to items of property replaced or disposed of have been removed from the respective accounts, and any differences between the net book values of the assets and the amounts realized by sale or salvage have been included in profit and loss.

NOTE 4—SALE OF NONPRODUCING AND PRODUCING ROYALTIES:

In accordance with the terms of a purchase contract dated July 19, 1946 Transwestern Oil Company sold to Transwestern Royalty Company all of the producing and nonproducing oil and gas royalty interests and overriding royalty interests owned by Transwestern Oil Company for a consideration of \$750,000 (approximate net book value). The effective date of the sale was July 31, 1946.

NOTE 5—FEDERAL INCOME TAXES:

The federal income tax returns filed by the company for the periods from inception on November 20, 1936 to December 31, 1942 have been examined by the internal revenue bureau and the taxes for those years have been settled. The final tax liabilities for the years 1943, 1944, 1945, and 1946 had not been determined at the date of the completion of our examination of the financial statements of the company as at July 31, 1946.

TRANSWESTERN OIL COMPANY

(Merged into Sunray Oil Corporation as of August 2, 1946)

SUPPLEMENTARY PROFIT AND LOSS INFORMATION

For the two years and seven months ended July 31, 1946

	Charged to Expenses and Costs		
	Year Ended		January 1,
	December 31,		to July
	1944	1945	31, 1946
Maintenance and repairs (Note 1).....	\$ 183,234	\$ 185,857	\$ 104,435
Depletion, depreciation and amortization of fixed and intangible assets	1,166,947	1,208,796	681,068
Taxes, other than income and excess profits taxes (Note 2) :			
Gross production taxes.....	204,010	235,544	147,837
Property taxes	77,000	113,681	67,383
Social security, sales and other.....	6,993	8,414	5,954
Capital stock, franchise, etc.....	12,279	25,810	16,546
Management and service contract fees.....	None	None	None
Rents	165,141	222,434	151,342
Royalties	None	None	None

NOTES:

- (1) The amounts shown are the aggregate of such accounts as are known to represent charges of a maintenance and repair nature. There may be additional maintenance and repair charges, the amounts of which cannot be determined.
- (2) State sales taxes on purchases and a portion of social security taxes paid are not ascertainable from the accounts and are not included herein.

TRANSWESTERN OIL COMPANY

(Merged into Sunray Oil Corporation as of August 2, 1946)

RECONSTRUCTION OF STATEMENT OF PROFIT AND LOSS

Prior to merger with Sunray Oil Corporation, Transwestern Oil Company sold all of its overriding and basic royalty interests to Transwestern Royalty Company. Gross and direct net income from all such royalties, for the two years and seven months ended July 31, 1946, is included in the statement of profit and loss of Transwestern Oil Company as follows:

	Year Ended December 31,		January 1, to July 31, 1946
	1944	1945	
Royalty income	\$411,060	\$412,208	\$258,507
Rents and bonuses—royalty properties.....	5,264	8,041	4,839
Profit on sale of capital assets.....	.....	.....	13,576
Together	<u>\$416,324</u>	<u>\$420,249</u>	<u>\$276,922</u>
Expenses and costs directly applicable to royalties:			
Depletion	\$ 45,032	\$ 50,538	\$ 20,055
Surrendered and condemned royalties.....	41,724	4,665	4,957
Production and property taxes.....	24,803	27,338	15,203
	<u>\$111,559</u>	<u>\$ 82,541</u>	<u>\$ 40,215</u>
Direct net income before income taxes.....	<u>\$304,765</u>	<u>\$337,708</u>	<u>\$236,707</u>

Some portion of the general expenses of Transwestern Oil Company might fairly be allocated against this royalty income; however, it cannot be said that such expenses would have been appreciably lower during the two years and seven months period if this portion of the business had not been in existence. Elimination of the above net income from taxable income of Transwestern Oil Company would have resulted in reducing the Company's provision for federal and state taxes based on income, estimated as follows:

	Year Ended December 31,		January 1, to July 31, 1946
	1944	1945	
State income taxes.....	\$ 1,000	\$ 1,000	\$ 1,000
Federal income taxes.....	80,000	100,000	68,000
Together	<u>\$ 81,000</u>	<u>\$101,000</u>	<u>\$ 69,000</u>

The net profits of Transwestern Oil Company reduced to eliminate direct net income from royalties and increased to reflect correspondingly lower income taxes would have been:

	Year Ended December 31,		January 1, to July 31, 1946
	1944	1945	
Net profit as shown by statement.....	\$2,784,196	\$2,776,129	\$1,642,088
Elimination of direct net income from royalties.....	304,765	337,708	236,707
	<u>\$2,479,431</u>	<u>\$2,438,421</u>	<u>\$1,405,381</u>
Estimated reduction in income taxes.....	81,000	101,000	69,000
Reconstructed net profit.....	<u>\$2,560,431</u>	<u>\$2,539,421</u>	<u>\$1,474,381</u>

EXHIBIT C-3

FINANCIAL STATEMENTS

OF

DARBY PETROLEUM CORPORATION

(merged into Sunray Oil Corporation as of June 12, 1944)

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

SUNRAY OIL CORPORATION:

We have examined the statements of income and of earned surplus and the related schedule of supplementary profit and loss information of Darby Petroleum Corporation for the period from January 1 to June 12, 1944 (at which date the Corporation was merged into Sunray Oil Corporation and its separate corporate existence ceased), have reviewed the accounting procedures of that company and have examined its accounting records and other evidence in support of such financial statements and schedule. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying statements of income and of earned surplus (and related schedule) fairly present the results of operations of Darby Petroleum Corporation for the period from January 1 to June 12, 1944, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

Tulsa,
October 10, 1947.
As of May 20, 1946.

DARBY PETROLEUM CORPORATION
(Merged into Sunray Oil Corporation as of June 12, 1944)

STATEMENT OF INCOME

For the Period from January 1 to June 12, 1944

Revenue:

Crude oil sales.....	\$1,185,081.64
Less decrease in inventory of crude oil.....	220.90
Remainder—crude oil produced.....	\$1,184,860.74
Gas sales	65,874.95
Total	\$1,250,735.69
Operating Expenses (exclusive of items shown separately below).....	253,541.77
Gross Profit from Operations.....	\$ 997,193.92
General and Administrative Expenses.....	111,631.01
Net Profit from Operations.....	\$ 885,562.91

Other Income Credits:

Interest received	\$ 3,901.00
Profit from sale of capital assets.....	1,996.35
Materials and supplies inventory adjustments.....	1,611.46
Cash discounts on purchases.....	1,313.84
Miscellaneous	315.15
Total	9,137.80
Gross Income	\$ 894,700.71

Income Charges:

Interest paid	\$ 1,967.92
Net loss from gas distribution system.....	349.33
Other	553.66
Total	2,870.91
Income Before Deducting Provision for Depletion and Depreciation, etc.....	\$ 891,829.80

Deduct:

Depletion	\$139,071.01
Depreciation	66,700.28
Undeveloped leaseholds surrendered.....	232,079.07
Dry holes, exploratory work, etc.....	91,808.51
Total	529,658.87
Income Before Deducting Provision for Federal and State Income Taxes.....	\$ 362,170.93

Deduct—Provision for Federal and State Income Taxes (estimated):

Federal (no excess profits tax).....	\$ 50,000.00
State	7,068.60
Total	57,068.60
Net Income	\$ 305,102.33

The Notes on the following page are an integral part of this statement.

DARBY PETROLEUM CORPORATION

(Merged into Sunray Oil Corporation as of June 12, 1944)

NOTES TO STATEMENT OF INCOME

1. It was the accounting policy of the company to capitalize development cost (so-called intangible drilling costs) of oil properties and amortize such costs through depletion charges based upon the number of barrels of recoverable and recovered oil. For tax purposes, the company elected to write off such items and as a result of that policy, together with the statutory allowance for depletion in excess of depletion based on cost, the taxable net income for Federal and State income taxes was materially reduced.
2. The policy adopted in providing for depletion and depreciation is described as follows:
Depletion on cost—by properties, based on capitalizing drilling and other development costs of producing properties except dry holes, and depleted on the unit-of-recovery method.
Depreciation:
Leasehold equipment—materials and equipment on producing properties depreciated on the unit-of-recovery method.
Automobiles and trucks—25% per annum.
Miscellaneous equipment—10% per annum.
3. All costs of maintenance and repairs were charged to operations as incurred. The costs of replacements and betterments were charged to the property accounts.

DARBY PETROLEUM CORPORATION

(Merged into Sunray Oil Corporation as of June 12, 1944)

STATEMENT OF EARNED SURPLUS (Since June 30, 1933)

For the Period from January 1 to June 12, 1944

Balance January 1, 1944.....		\$2,741,596.92
Net income from Statement of Income.....		305,102.33
Other additions to surplus:		
Excess accrual of Federal income taxes for years prior to 1943.....	\$ 8,295.90	
Increase in market value of marketable securities.....	4,525.00	12,820.90
Total		<u>\$3,059,520.15</u>
Charges to surplus:		
Expense of defending title litigation.....	\$ 2,750.00	
Dividends	87,847.50	
Total charges to surplus.....		<u>90,597.50</u>
Balance June 12, 1944.....		<u><u>\$2,968,922.65</u></u>

Note: Amounts representing adjustments made in the period from January 1 to June 12, 1944 applicable to the year 1943 have been applied to the balance of earned surplus at January 1, 1944.

DARBY PETROLEUM CORPORATION

(Merged into Sunray Oil Corporation as of June 12, 1944)

SUPPLEMENTARY PROFIT AND LOSS INFORMATION

For the Period from January 1 to June 12, 1944

Item	Charged directly to profit and loss		Charged to other accounts		Total
	To costs or operating expenses	Other	Account	Amount	
Maintenance and Repairs.....	\$ 35,086.48	\$ 391.16	Automobile and truck ex- pense clearing account.....	\$ 5,261.99	\$ 40,739.63
Depreciation and Depletion:					
Depreciation		66,700.28	Automobile and truck ex- pense clearing account.....	2,912.53	69,612.81
Depletion		139,071.01			139,071.01
Taxes, Other Than Income and Excess Profits Taxes:					
Real estate and personal property.....	12,852.74	1,179.51			14,032.25
Social security		3,047.98			3,047.98
Franchise		2,359.00			2,359.00
Gross production	19,301.45				19,301.45
Management and Service Contract Fees.....					None
Rents and Royalties.....		(1)6,429.86	Leasehold costs	(2)91,054.88	97,484.74

NOTES: (1) Represents rental of office space.

(2) Represents oil and gas leasehold rentals charged to leasehold costs.

EXHIBIT D-1

**FINANCIAL STATEMENTS
OF
PACIFIC WESTERN OIL CORPORATION**

AUDITORS' CERTIFICATE

We have examined the balance sheet of Pacific Western Oil Corporation (a Delaware corporation, hereinafter referred to as the Company) and the consolidated balance sheet of the Company and its subsidiary company (Getty Realty Corporation) as of December 31, 1946, and the statements of consolidated income and surplus for the three years ended December 31, 1946 (including the operations of the subsidiary company on a consolidated basis since May 31, 1946), have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheets and related statements of income and surplus and the schedule of supplementary income account information present fairly the position of Pacific Western Oil Corporation and subsidiary company at December 31, 1946, and the results of their operations (including the operations of the subsidiary company for the seven months ended December 31, 1946, only) for the three years ended December 31, 1946, and are in conformity with generally accepted accounting principles applied on a consistent basis during the period under review.

ARTHUR ANDERSEN & Co.

Los Angeles, California,

March 10, 1947.

(Released October 13, 1947.)

PACIFIC WESTERN OIL CORPORATION AND SUBSIDIARY COMPANY

BALANCE SHEETS—DECEMBER 31, 1946

A S S E T S

	Company	Consolidated
CURRENT ASSETS:		
Cash in banks and on hand.....	\$ 1,516,514.04	\$ 2,010,971.63
United States Government bonds, at cost.....	550,427.76	630,490.25
Accounts receivable—		
Customers (less reserve of \$10,038.29 applicable to subsidiary company)	556,348.61	768,502.43
Affiliated company	2,940.79	.....
Other	141,892.22	151,362.29
Notes receivable, secured by trust deeds.....	54,220.00	54,220.00
Inventories—		
Crude oil at the lower of average cost or market (market represents net selling price).....	56,253.34	56,253.34
Materials and supplies at or below average cost.....	401,022.77	401,022.77
Hotel inventories, at cost.....	.....	153,990.27
Total current assets.....	<u>\$ 3,279,619.53</u>	<u>\$ 4,226,812.98</u>
INVESTMENTS—at cost:		
Subsidiary companies—		
Mission Corporation—not consolidated—641,808 shares of capital stock, a 46.71 per cent interest (quoted market price \$22,302,828)	\$ 9,947,084.88	\$ 9,947,084.88
Getty Realty Corporation—consolidated—		
500 shares of capital stock, a 100 per cent interest.....	50,000.00	.....
6 per cent note receivable, due December 31, 1946.....	2,500,000.00	.....
Tide Water Associated Oil Company—		
577,854 shares of common stock (quoted market price \$11,484,528)	3,927,006.95	3,927,006.95
Other	112.00	112.00
	<u>\$16,424,203.83</u>	<u>\$13,874,203.83</u>
PLANT AND EQUIPMENT:		
Oil properties, at cost.....	\$35,593,414.18	\$35,593,414.18
Less—Reserve for depreciation, depletion and amortization.....	25,841,771.27	25,841,771.27
	<u>\$ 9,751,642.91</u>	<u>\$ 9,751,642.91</u>
Hotel properties (including land, \$1,000,000), at cost.....	\$	\$ 3,114,589.01
Less—Reserve for depreciation.....	.....	546,314.04
	<u>\$</u>	<u>\$ 2,568,274.97</u>
ORGANIZATION AND MERGER COSTS.....	\$ 314,500.78	\$ 314,500.78
Less—Reserve for amortization (being provided over period to December 31, 1950)	173,890.89	173,890.89
	<u>\$ 140,609.89</u>	<u>\$ 140,609.89</u>
PREPAID RENTALS, TAXES, INSURANCE, ETC.....	\$ 260,530.98	\$ 366,455.56
	<u><u>\$29,856,607.14</u></u>	<u><u>\$30,928,000.14</u></u>

The accompanying notes are an integral part of these balance sheets.

**PACIFIC WESTERN OIL CORPORATION
AND SUBSIDIARY COMPANY**

BALANCE SHEETS—DECEMBER 31, 1946

	LIABILITIES	
	Company	Consolidated
CURRENT LIABILITIES:		
Accounts payable	\$ 777,254.21	\$ 1,048,648.20
Royalties payable	104,753.98	104,753.98
Accrued liabilities—		
Taxes, other than taxes based on income.....	9,408.56	86,167.40
Interest, etc.	14,697.89	95,801.61
Deposit for exploration expenses.....	15,000.00	15,000.00
Provision for disputed royalties payable to United States Government	66,674.87	66,674.87
Provision for taxes based on income—subject to final determination by governmental authorities—		
Federal (including additional assessments for the years 1939 and 1940 of \$141,641.90, applicable to subsidiary company).....	114,966.37	281,608.27
California (including accrued interest of \$77,956.04).....	337,819.09	337,819.09
Total current liabilities.....	<u>\$ 1,440,574.97</u>	<u>\$ 2,036,473.42</u>
 CAPITAL STOCK AND SURPLUS:		
Capital stock—		
Authorized—2,000,000 shares of \$10 par value.		
Issued and outstanding—1,376,430 shares (including 4,700 treasury shares below).....	\$13,764,300.00	\$13,764,300.00
Surplus (per accompanying statement)—		
Capital surplus	5,382,136.54	5,382,136.54
Earned surplus—restricted to the extent of cost (\$100,840.65) of treasury stock below.....	9,370,436.28	9,845,930.83
	<u>\$28,516,872.82</u>	<u>\$28,992,367.37</u>
Deduct—Treasury stock—4,700 shares at cost.....	100,840.65	100,840.65
	<u>\$28,416,032.17</u>	<u>\$28,891,526.72</u>
	 <u><u>\$29,856,607.14</u></u>	 <u><u>\$30,928,000.14</u></u>

The accompanying notes are an integral part of these balance sheets.

**PACIFIC WESTERN OIL CORPORATION
AND SUBSIDIARY COMPANY**

NOTES TO BALANCE SHEETS

(1) Effective as of May 31, 1946, an Agreement of Merger was entered into and adopted whereby George F. Getty, Inc. (parent company) was merged into Pacific Western Oil Corporation. Under the terms of this Agreement, Pacific Western Oil Corporation, the surviving corporation, succeeded to and became possessed of all properties and assumed all liabilities of George F. Getty, Inc. The accompanying statement of income includes the results of operation of the properties acquired from George F. Getty, Inc. for the period from June 1 to December 31, 1946.

(2) Mission Corporation, as shown by its financial statements at December 31, 1946, had assets carried at approximately \$19,438,000, had liabilities of approximately \$171,000 and had no outstanding securities other than common capital stock. Such assets consisted principally of cash and United States Government securities and investments in other companies, including 582,657 shares of common stock of Skelly Oil Company (a 59.37 per cent interest) and 1,341,493 shares of common stock of Tide Water Associated Oil Company (a 20.97 per cent interest).

(3) On December 21, 1946, the Company offered to employees who had completed two years of continuous service on December 1, 1946 the option to purchase an aggregate of 4,477 shares of treasury capital stock at \$20.00 per share. As of January 10, 1947, the closing date of the offer, a total of 2,353 shares of capital stock had been reserved for employees under the option plan. Final decision on the part of the individual employees to purchase stock subscribed for under the option agreement must be made by February 1, 1948.

(4) The Company operates certain valuable lands under lease from the State of California. The rights of the Company under these leases may be adversely affected by the decision of the United States Supreme Court in the case of *United States of America vs. State of California*, October Term 1946, No. 12, Original.

There is also other miscellaneous litigation pending against the Company which, in the opinion of counsel for the Company, will not result in any material liability.

(5) In consolidating the accounts of the Company and its subsidiary company, all intercompany accounts and income and expenses have been eliminated. The investment of the Company in the capital stock of its subsidiary company (which is 100 per cent owned) is equivalent to, and has been eliminated against, the aggregate par value of the outstanding capital stock of the subsidiary. The Company's equity in the net assets of its subsidiary company as shown by the books of such subsidiary, was \$475,494.55 in excess of the related investment as shown by the Company's books as of December 31, 1946; such comparison reflects adjustments of \$241,234.64 of the subsidiary's net assets as of May 31, 1946. In consolidation, this amount of \$475,494.55 has been credited to consolidated earned surplus.

**PACIFIC WESTERN OIL CORPORATION
AND SUBSIDIARY COMPANY**

STATEMENTS OF CONSOLIDATED INCOME

For the Three Years Ended December 31, 1946

	Year Ended December 31		
	1944	1945	1946
GROSS OPERATING INCOME:			
Crude oil sales.....	\$3,637,276.69	\$3,237,011.06	\$4,591,795.90
Natural gasoline sales.....	134,511.18	125,165.87	146,631.00
Dry gas sales.....	69,291.12	71,072.73	155,583.52
Other	82,610.63	69,881.19	145,752.36
	<u>\$3,923,689.62</u>	<u>\$3,503,130.85</u>	<u>\$5,039,762.78</u>
Less—			
Oil and gas royalties.....	\$ 565,384.87	\$ 512,693.76	\$ 708,828.31
Crude oil purchases.....	23,279.96	17,427.62	9,955.80
	<u>\$ 588,664.83</u>	<u>\$ 530,121.38</u>	<u>\$ 718,784.11</u>
	<u>\$3,335,024.79</u>	<u>\$2,973,009.47</u>	<u>\$4,320,978.67</u>
OPERATING CHARGES:			
Operating expenses, exclusive of items listed below.....	\$ 407,037.72	\$ 444,947.70	\$ 593,414.24
Selling, and general and administrative expenses, exclusive of items listed below.....	227,974.18	263,573.04	454,137.26
Provisions for property reserves (Note 2)—			
Depreciation	222,705.92	257,836.12	370,284.76
Depletion	167,537.12	138,870.93	217,055.93
Amortization of drilling and operating contract.....	8,368.35	32,809.53	12,600.00
Abandonments	240,000.00	240,000.00	310,000.00
Intangible development costs—			
Amortization of costs incurred prior to September 1, 1936	26,969.44	18,747.81	38,224.82
Costs incurred during current year.....	1,113,142.95	900,694.13	1,425,944.38
Dry hole costs, etc.....	160,482.01	226,723.97	193,641.74
Maintenance and repairs.....	238,988.79	238,988.76	243,956.18
Taxes (other than income taxes).....	127,558.70	149,857.03	252,963.53
Rents	69,943.87	80,889.58	186,949.66
Royalties for use of equipment.....	5,894.06	3,779.15	3,722.79
Amortization of organization and merger costs (Note 2).....	14,636.91	14,725.20	26,639.05
	<u>\$3,031,240.02</u>	<u>\$3,012,442.95</u>	<u>\$4,329,534.34</u>
Net profit or loss* from operations.....	<u>\$ 303,784.77</u>	<u>\$ 39,433.48*</u>	<u>\$ 8,555.67*</u>
OTHER INCOME:			
Dividends received—			
Mission Corporation, subsidiary company not consolidated (Note 6)	\$ 802,260.00	\$ 802,260.00	\$ 930,621.60
Tide Water Associated Oil Company.....	250,100.00	250,100.00	446,752.40
Interest on United States Government bonds, etc.....	10,543.23	13,905.60	13,557.02
Net profit or loss* on sale of plant assets.....	13,251.56*	.....	.....
	<u>\$1,049,651.67</u>	<u>\$1,066,265.60</u>	<u>\$1,390,931.02</u>
Net income before interest, net income of subsidiary company, and Federal income tax.....	<u>\$1,353,436.44</u>	<u>\$1,026,832.12</u>	<u>\$1,382,375.35</u>
INTEREST:			
On debentures and long-term notes payable, etc.....	\$ 48,018.91	\$ 29,757.20	\$ 34,233.46
Debenture discount and expense, and redemption premium....	59,975.12	.....	.....
	<u>\$ 107,994.03</u>	<u>\$ 29,757.20</u>	<u>\$ 34,233.46</u>
Net income before income of subsidiary company and Federal income tax.....	<u>\$1,245,442.41</u>	<u>\$ 997,074.92</u>	<u>\$1,348,141.89</u>
NET INCOME OF SUBSIDIARY COMPANY, GETTY REALTY CORPORATION, for the seven months ended December 31, 1946 (Note 1)	<u>.....</u>	<u>.....</u>	<u>266,746.39</u>
Net income before Federal income tax.....	<u>\$1,245,442.41</u>	<u>\$ 997,074.92</u>	<u>\$1,614,888.28</u>
PROVISION FOR FEDERAL INCOME TAX.....	<u>60,000.00</u>	<u>40,000.00</u>	<u>65,000.00</u>
Net income for the year.....	<u><u>\$1,185,442.41</u></u>	<u><u>\$ 957,074.92</u></u>	<u><u>\$1,549,888.28</u></u>

* Denotes red figure.

The accompanying notes are an integral part of these statements of income.

PACIFIC WESTERN OIL CORPORATION
AND SUBSIDIARY COMPANY
NOTES TO STATEMENTS OF CONSOLIDATED INCOME

(1) Reference is made to Note (1) of the notes to the balance sheet regarding the merger agreement between Pacific Western Oil Corporation and George F. Getty, Inc. The accompanying statement of income includes the results of operation of the properties acquired from George F. Getty, Inc. for the period from June 1 to December 31, 1946. Among the properties acquired from George F. Getty, Inc. was the entire capital stock of Getty Realty Corporation. Major classifications of income and expenses of Getty Realty Corporation for the seven months ended December 31, 1946 are as follows:

Revenue (room rentals, food and beverage sales, etc.).....		\$2,299,226.14
Operating expenses—		
Salaries and wages.....	\$ 663,137.08	
Cost of food and beverages.....	459,226.02	
Repairs and maintenance.....	166,004.83	
Other operating expenses (including management and service contract fees of \$3,773.81).....	312,555.39	
	<u>\$1,600,923.32</u>	
General expenses (including \$3,994.92 provision for doubtful accounts)	236,723.42	
Taxes (other than Federal income tax).....	115,720.15	
Depreciation (Note 2).....	78,635.49	2,032,002.38
		<u>\$ 267,223.76</u>
Net profit from operations.....		477.37
Other expense (net).....		
		<u>\$ 266,746.39</u>
Net income for the seven months ended December 31, 1946 (before deducting interest of \$87,500 offset against interest income of the parent company and before Federal income tax of \$25,000).....		

(2) Depreciation and depletion of producing oil properties are provided generally on a unit of production basis, except that some classes of equipment are depreciated on a straight-line basis over the estimated remaining useful lives varying from 4 to 16 years. Nonproducing oil lands and leases are not amortized or depleted until they become producing properties. However, the Company makes monthly provisions for a reserve for abandonments, cancellations and general contingencies relating to undeveloped oil lands, leases, etc. The provisions and charges to this reserve during the three years ended December 31, 1946 were as follows:

Year	Provisions	Charges
1944.....	\$240,000.00	\$115,667.00
1945.....	240,000.00	224,392.55
1946.....	310,000.00	287,915.00

Intangible development costs prior to September 1, 1936 are included in property subject to depletion, and the Company has made reserve provisions currently from income in amounts equivalent to the intangible development costs incurred since that date. Organization and merger costs are being amortized over the period to December 31, 1950.

Beginning January 1, 1947, the Company will capitalize intangible development expenditures on productive wells, and such intangibles will be included in the costs of producing properties subject to depletion provisions.

Depreciation of the hotel property of Getty Realty Corporation is provided on a straight-line basis using the following estimated lives:

Building	40 years from November 1, 1938
Building improvements.....	30 years
Furniture, fixtures and equipment.....	10 to 33 1/3 years
Cafe Pierre and Cotillion Room.....	10 to 50 years

(3) The Company follows the practice of capitalizing major renewals and betterments and charging maintenance and repairs to expense as incurred.

(4) It is the policy of the Company to credit the asset accounts at cost for major items of equipment and property retired, to charge the related reserves for the amount of the accumulated depreciation, depletion, or amortization applicable to the assets retired, sold or abandoned and to credit or charge the resulting gain or loss to the income account. No gain or loss is reflected in the income statement in the case of minor retirements.

(5) Inventories of crude oil, stated at the lower of cost or market, and inventories of hotel food and beverages, at cost, used in determining cost of sales, were as follows:

	Crude Oil	Hotel Food and Beverages
December 31, 1943.....	\$22,140.59	\$
December 31, 1944.....	24,438.61	.....
December 31, 1945.....	28,095.86	.....
May 31, 1946.....	.....	119,092.74
December 31, 1946.....	<u>56,253.34</u>	<u>153,990.27</u>

(6) The net income of Mission Corporation, consisting principally of dividends from Skelly Oil Company and Tide Water Associated Oil Company, as shown by its financial statements, and the portion related to the 641,808 shares of common stock of Mission Corporation owned by Pacific Western Oil Corporation, was as follows:

Year	Net Income of Mission Corporation	Portion Relating to Interest of Pacific Western Oil Corporation
1944.....	\$2,180,000	\$1,017,000
1945.....	2,365,000	1,104,000
1946.....	<u>2,381,000</u>	<u>1,112,000</u>

**PACIFIC WESTERN OIL CORPORATION
AND SUBSIDIARY COMPANY**

STATEMENTS OF CONSOLIDATED SURPLUS

For the Three Years Ended December 31, 1946

	Year Ended December 31		
	1944	1945	1946
EARNED SURPLUS			
BALANCE, BEGINNING OF YEAR.....	\$4,572,626.52	\$5,258,068.93	\$ 5,750,703.19
ADD:			
Net income for the year.....	\$1,185,442.41	\$ 957,074.92	\$ 1,549,888.28
Adjustments arising from merger of George F. Getty, Inc. into Pacific Western Oil Corporation as of May 31, 1946—			
Earned surplus of George F. Getty, Inc. as of May 31, 1946 .....	.....	.....	4,856,539.20
Earned surplus of subsidiary company, Getty Realty Cor- poration, at May 31, 1946, the date of merger of former parent of Getty Realty Corporation with Pacific Western Oil Corporation .....	.....	.....	321,248.16
Earned surplus of Pacific Western Oil Corporation applicable to 801,419 shares of Pacific Western Oil Corporation capital stock at the date of acquisition of such shares by George F. Getty, Inc.....	.....	.....	1,972,600.00*
Reversal of excess provision for prior years' Federal and State income taxes.....	.....	35,559.34	.....
	<u>\$1,185,442.41</u>	<u>\$ 992,634.26</u>	<u>\$ 4,755,075.64</u>
	<u>\$5,758,068.93</u>	<u>\$6,250,703.19</u>	<u>\$10,505,778.83</u>
DEDUCT:			
Cash dividends paid.....	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
Provision for prior years' California franchise tax (including interest of \$22,113.64).....	.....	.....	159,848.00
	<u>\$ 500,000.00</u>	<u>\$ 500,000.00</u>	<u>\$ 659,848.00</u>
BALANCE, END OF YEAR.....	<u>\$5,258,068.93</u>	<u>\$5,750,703.19</u>	<u>\$ 9,845,930.83</u>
CAPITAL SURPLUS			
BALANCE, BEGINNING OF YEAR.....	\$3,416,500.00	\$3,416,500.00	\$ 3,416,500.00
ADD—Adjustments arising from merger of George F. Getty, Inc. into Pacific Western Oil Corporation as of May 31, 1946:			
Capital surplus of George F. Getty, Inc. at May 31, 1946.....	\$	\$	\$ 2,414,072.83
Excess of par value of 801,419 shares of Pacific Western Oil Corporation capital stock surrendered by George F. Getty, Inc. over the cost of such shares to George F. Getty, Inc.....	.....	.....	2,497,304.46
Earned surplus of Pacific Western Oil Corporation applicable to 801,419 shares of Pacific Western Oil Corporation capital stock at the date of acquisition of such shares by George F. Getty, Inc. ....	.....	.....	1,972,600.00
Excess of cash received over the par value of .9 share of Pacific Western Oil Corporation capital stock.....	.....	.....	20.25
Less—Excess of par value of 1,177,848.1 shares of Pacific Western Oil Corporation capital stock over the stated amount of 75,990.2 shares of George F. Getty, Inc. capital stock exchanged under the merger agreement.....	.....	.....	4,918,361.00*
	<u>\$</u>	<u>\$</u>	<u>\$ 1,965,636.54</u>
BALANCE, END OF YEAR.....	<u>\$3,416,500.00</u>	<u>\$3,416,500.00</u>	<u>\$ 5,382,136.54</u>

* Denotes red figure.

PACIFIC WESTERN OIL CORPORATION
AND SUBSIDIARY COMPANY

SUPPLEMENTARY INCOME ACCOUNT INFORMATION

For the Three Years Ended December 31, 1946

Item	Total Charged Directly to Profit and Loss
YEAR ENDED DECEMBER 31, 1944:	
Maintenance and repairs.....	\$ 238,988.79
Provision for:	
Depreciation	222,705.92
Depletion	167,537.12
Intangible development costs:	
Prior to September 1, 1936.....	26,969.44
Subsequent to September 1, 1936.....	1,113,142.95
Dry hole costs, etc.....	160,482.01
Amortization of drilling and operating contract.....	8,368.35
Amortization of organization costs.....	14,636.91
Abandonments	240,000.00
Taxes (other than income taxes):	
Real estate, personal property, and mining rights.....	\$ 98,333.15
Federal capital stock tax.....	2,500.00
State franchise	6,209.46
Social security and other taxes.....	20,516.09
	<u>\$ 127,558.70</u>
Management and service contract fees.....	\$ 32,552.76
Rents (see note).....	69,943.87
Royalties:	
Oil and gas.....	565,384.87
For use of equipment.....	5,894.06
YEAR ENDED DECEMBER 31, 1945:	
Maintenance and repairs.....	\$ 238,988.76
Provision for:	
Depreciation	257,836.12
Depletion	138,870.93
Intangible development costs:	
Prior to September 1, 1936.....	18,747.81
Subsequent to September 1, 1936.....	900,694.13
Dry hole costs, etc.....	226,723.97
Amortization of drilling and operating contract.....	32,809.53
Amortization of organization costs.....	14,725.20
Abandonments	240,000.00
Taxes (other than income taxes):	
Real estate, personal property, and mining rights.....	\$ 118,755.77
State franchise	10,588.17
Social security and other taxes.....	20,513.09
	<u>\$ 149,857.03</u>
Management and service contract fees.....	\$ 40,670.55
Rents (see note).....	80,889.58
Royalties:	
Oil and gas.....	512,693.76
For use of equipment.....	3,779.15

**PACIFIC WESTERN OIL CORPORATION
AND SUBSIDIARY COMPANY**

SUPPLEMENTARY INCOME ACCOUNT INFORMATION

For the Three Years Ended December 31, 1946

Item	Total Charged Directly to Profit and Loss
YEAR ENDED DECEMBER 31, 1946:	
Company:	
Maintenance and repairs.....	\$ 243,956.18
Provision for:	
Depreciation	370,284.76
Depletion	217,055.93
Intangible development costs:	
Prior to September 1, 1936.....	38,224.82
Incurred during year	1,425,944.38
Dry hole costs, etc.....	193,641.74
Amortization of drilling and operating contract.....	12,600.00
Amortization of organization and merger costs.....	26,639.05
Abandonments	310,000.00
<hr/>	
Taxes (other than income taxes):	
Real estate, personal property, and mining rights.....	\$ 181,021.07
State franchise	29,364.15
Social security and other taxes.....	42,578.31
	<hr/>
	\$ 252,963.53
Management and service contract fees.....	\$ 83,382.41
Rents (see note).....	186,949.66
Royalties:	
Oil and gas.....	708,828.31
For use of equipment.....	3,722.79
	<hr/>
Subsidiary company:	
Maintenance and repairs.....	\$ 166,004.83
Depreciation, depletion and amortization of fixed assets.....	78,635.49
<hr/>	
Taxes (other than income taxes):	
Real estate	\$ 82,780.00
State franchise	10,044.09
New York City gross receipts.....	1,582.00
Social security	21,314.06
	<hr/>
	\$ 115,720.15
Management and service contract fees included in other general expenses:	
Rental and banquet commissions.....	\$ 2,583.81
Laundry management fee.....	1,190.00
	<hr/>
	\$ 3,773.81
	<hr/>

NOTE: The aggregate amount of rentals upon all real property now leased to the company, for terms expiring more than three years after December 31 of each of the three years is not significant.

EXHIBIT D-2

FINANCIAL STATEMENTS

OF

GETTY REALTY CORPORATION

(a wholly-owned subsidiary of George F. Getty, Inc. until May 31, 1946
as of which date it became a wholly-owned subsidiary of
Pacific Western Oil Corporation)

ACCOUNTANTS' CERTIFICATE

We have examined the accounts and records of Getty Realty Corporation, owning and operating Hotel Pierre, New York, N. Y. for the years 1944 and 1945. In connection therewith we examined or tested the accounting records of the Corporation, and other supporting evidence, to the extent which we considered sufficient to satisfy ourselves as to the correctness of the accounts and the adequacy of the system of internal control. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary.

In our opinion, the accompanying financial statements, together with the notes appended thereto (pages 2 to 4, inclusive), fairly present the results of operations of the Corporation for the years 1944 and 1945, and conform to generally accepted accounting principles applied on a consistent basis maintained during the periods under review.

HARRIS, KERR, FORSTER & COMPANY

By JOSEPH BRODNER, C. P. A.
Partner

New York, N. Y.
December 27, 1946

(SEAL)

GETTY REALTY CORPORATION

(a wholly-owned subsidiary of George F. Getty, Inc., until May 31, 1946 as of which date it became a wholly-owned subsidiary of Pacific Western Oil Corporation)

New York

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

For the Years 1944 and 1945 and the Five Months Ended May 31, 1946

	1944	1945	Five months ended May 31, 1946 (not certified by public accountants)
REVENUE:			
Rooms Rentals	\$1,179,512.58	\$1,286,248.68	\$ 576,385.89
Food and Beverage Revenue (Note 1).....	1,263,170.37	1,422,120.04	921,586.02
Telephone Sales	80,080.06	80,086.47	38,454.41
Store Rentals and Concessions.....	43,173.48	47,438.35	22,787.61
Total Revenue	<u>\$2,565,936.49</u>	<u>\$2,835,893.54</u>	<u>\$1,559,213.93</u>
OPERATING EXPENSES:			
Salaries and Wages Except Advertising and Repair Wages.....	\$ 654,055.89	\$ 742,249.54	\$ 397,626.31
Provision for Doubtful Accounts	4,048.94	6,393.86	2,821.52
Other Operating Expenses:			
Employees' Meals	52,334.49	59,937.22	32,259.58
Cost of Food and Beverages Sold (Note 2).....	425,497.42	465,444.52	284,156.37
Telephone Cost	68,273.02	67,707.81	32,965.65
Music and Entertainment.....	142,160.91	152,466.35	67,351.05
Linen, Blankets, China, Glass and Silver (Note 3).....	49,133.84	62,328.04	35,227.64
Employees' Insurance Funds.....	15,700.00	22,188.01	11,228.50
Insurance—Fire and General	22,226.04	20,839.35	4,968.31
Insurance—Unemployment and Retirement.....	34,781.83	36,999.52	20,934.62
Accountants' Fees Including Salary of Resident Auditor.....	8,400.00	8,400.00	4,025.00
Legal Expenses	3,428.67	5,419.06	2,492.45
Engineering Services—Electricity, Steam, etc.	117,474.00	117,375.38	51,415.15
Advertising and Business Promotion	33,883.22	31,535.53	26,432.55
Repairs and Maintenance (Note 3).....	192,265.50	244,109.86	90,086.53
Other General Expenses	139,271.73	150,027.15	77,349.15
Total Operating Expenses.....	<u>\$1,962,935.50</u>	<u>\$2,193,421.20</u>	<u>\$1,141,340.38</u>
GROSS OPERATING PROFIT.....	<u>\$ 603,000.99</u>	<u>\$ 642,472.34</u>	<u>\$ 417,873.55</u>
OTHER INCOME:			
Interest on Real Estate Tax Refunds.....	\$ 3,841.61	\$	\$
State Unemployment Insurance Credit .....	.....	8,924.20	.....
Interest on Securities	1,270.85	1,666.64	833.30
Miscellaneous	6,917.86	7,707.70	4,893.29
Total Other Income	<u>\$ 12,030.32</u>	<u>\$ 18,298.54</u>	<u>\$ 5,726.59</u>
PROFIT BEFORE TAXES, INTEREST, DEPRECIATION, AMORTIZATION AND PROVISION FOR FEDERAL INCOME TAXES	<u>\$ 615,031.31</u>	<u>\$ 660,770.88</u>	<u>\$ 423,600.14</u>
TAXES:			
Real Estate Taxes.....	\$ 139,760.00	\$ 137,520.00	\$ 56,400.00
State Franchise Taxes	34,496.29	16,173.81	13,089.49
Miscellaneous Taxes	5,146.92	4,641.15	632.47
Total Taxes	<u>\$ 179,403.21</u>	<u>\$ 158,334.96</u>	<u>\$ 70,121.96</u>
PROFIT BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND PROVISION FOR FEDERAL INCOME TAXES.....	<u>\$ 435,628.10</u>	<u>\$ 502,435.92</u>	<u>\$ 353,478.18</u>
INTEREST ON NOTES PAYABLE (Note 4):			
George F. Getty, Inc.—Parent Company.....	<u>83,010.00</u>	<u>150,000.00</u>	<u>62,500.00</u>
PROFIT BEFORE DEPRECIATION, AMORTIZATION AND PROVISION FOR FEDERAL INCOME TAXES	<u>\$ 352,618.10</u>	<u>\$ 352,435.92</u>	<u>\$ 290,978.18</u>
DEPRECIATION AND AMORTIZATION (Note 3).....	100,367.67	111,897.74	51,228.35
PROFIT BEFORE PROVISION FOR FEDERAL INCOME TAXES.....	<u>\$ 252,250.43</u>	<u>\$ 240,538.18</u>	<u>\$ 239,749.83</u>
PROVISION FOR FEDERAL INCOME TAXES (Note 5).....	35,661.73	27,000.00	63,000.00
NET PROFIT	<u>\$ 216,588.70</u>	<u>\$ 213,538.18</u>	<u>\$ 176,749.83</u>
EARNED SURPLUS (OR Deficit*), BEGINNING OF PERIOD.....	44,393.91*	172,194.79	385,732.97
EARNED SURPLUS, END OF PERIOD.....	<u>\$ 172,194.79</u>	<u>\$ 385,732.97</u>	<u>\$ 562,482.80</u>

The accompanying notes are an integral part of this statement.

GETTY REALTY CORPORATION

(a wholly-owned subsidiary of George F. Getty, Inc., until May 31, 1946 as of which date it became a wholly-owned subsidiary of Pacific Western Oil Corporation)

NOTES TO STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

(1) FOOD AND BEVERAGE REVENUE:

	1944	1945	Five Months Ended May 31, 1946
Food Sales	\$ 748,462.12	\$ 825,556.06	\$ 570,621.04
Beverage Sales	489,671.36	569,253.33	320,699.83
Other Food and Beverage Revenue.....	25,036.89	27,310.65	30,265.15
Total Food and Beverage Revenue.....	<u>\$1,263,170.37</u>	<u>\$1,422,120.04</u>	<u>\$ 921,586.02</u>

(2) COST OF FOOD AND BEVERAGES SOLD:

Food:			
Inventory Beginning of Period.....	\$ 16,733.97	\$ 8,894.62	\$ 7,373.90
Add: Purchases During Period.....	246,733.30	263,449.23	179,002.71
Total	<u>\$ 263,467.27</u>	<u>\$ 272,343.85</u>	<u>\$ 186,376.61</u>
Deduct: Inventory End of Period.....	8,894.62	7,373.90	13,457.52
Cost of Food Sold.....	<u>\$ 254,572.65</u>	<u>\$ 264,969.95</u>	<u>\$ 172,919.09</u>
Beverages:			
Inventory Beginning of Period.....	\$ 132,428.65	\$ 154,203.43	\$ 98,763.37
Add: Purchases During Period.....	192,699.55	145,034.51	118,109.13
Total	<u>\$ 325,128.20</u>	<u>\$ 299,237.94</u>	<u>\$ 216,872.50</u>
Deduct: Inventory End of Period.....	154,203.43	98,763.37	105,635.22
Cost of Beverages Sold.....	<u>\$ 170,924.77</u>	<u>\$ 200,474.57</u>	<u>\$ 111,237.28</u>
Total Cost of Food and Beverages Sold.....	<u>\$ 425,497.42</u>	<u>\$ 465,444.52</u>	<u>\$ 284,156.37</u>

Inventories are at average cost.

(3) DEPRECIATION, DEPLETION, OBSOLESCENCE AND AMORTIZATION:

Linen, china, glass and silverware replacements are charged to the operating expenses during the above periods in which they were purchased, except for large purchases which are spread over the balance of the fiscal year to operating expenses. No reserve has been set up for breakage, depletion or obsolescence.

Repairs and maintenance expenses are charged to operating expenses during the periods in which they were incurred. Renewals and betterments are capitalized.

Depreciation and Amortization:

Building and Improvements Depreciation.....	\$ 31,971.34	\$ 31,971.34	\$ 13,305.75
Furniture, Fixtures and Equipment Depreciation.....	48,199.17	62,846.35	30,581.45
Cafe Pierre Depreciation and Amortization.....	4,361.16	4,167.34	2,248.80
Cotillion Room Depreciation and Amortization.....	14,124.24	12,912.71	5,092.35
Ventilation Expense Amortization.....	1,711.76	.....	.....
Total Depreciation and Amortization.....	<u>\$ 100,367.67</u>	<u>\$ 111,897.74</u>	<u>\$ 51,228.35</u>

Depreciation of fixed assets—The following periods are used in calculating depreciation: Building, 40 years from November 1, 1938; Building Improvements, new heating system, new grill, new 5th Avenue entrance, heating, air conditioning and electrical work, 30 years; Furniture, Fixtures and Equipment, various rates from 3% to 10%; Cafe Pierre and Cotillion Room, furniture, fixtures and equipment and structural changes, various rates from 2% to 10%; Amortization of Metropolitan Club Ventilation Expense, fully amortized by December 31, 1944.

No adjustments made to accumulated reserves for depreciation for retirements or sales, the insignificant amount of sales at selling price being credited to the fixed asset account, since the original cost of the items sold were not segregated in the original purchase price from Gerry Estates, Inc.

Additions to fixed assets which were subsequently fully depreciated have been charged against the accumulated reserves for depreciation with corresponding reductions in the fixed asset accounts.

(4) Notes payable were non-interest bearing from April 1, 1941 to June 30, 1944 and bore interest at 6% per annum from July 1, 1944.

(5) Provision for federal income taxes for 1944 and 1945 represents amounts paid to George F. Getty, Inc. as reimbursement for Getty Realty Corporation's proportion of the Consolidated Federal Income Taxes, as computed by George F. Getty, Inc., in accordance with their advice to us of December 18, 1945.

The provision for the five months of 1946 represents the allocation of the estimated combined tax on a consolidated Federal Income Tax Return basis in the ratio to the estimated tax if separate tax returns were to be filed. This estimate is in accordance with advice received by us from George F. Getty, Inc. in a communication dated July 19, 1946.

GETTY REALTY CORPORATION

(a wholly-owned subsidiary of George F. Getty, Inc., until May 31, 1946 as of which date it became a wholly-owned subsidiary of Pacific Western Oil Corporation)

SUPPLEMENTARY PROFIT AND LOSS INFORMATION

<u>Item</u>	<u>1944</u>	<u>1945</u>	Five Months Ended May 31, 1946 (not certified by public accountants)
1. MAINTENANCE AND REPAIRS.....	\$192,265.50	\$244,109.86 (A)	\$90,086.53 (B)
2. DEPRECIATION, DEPLETION AND AMORTIZATION OF FIXED ASSETS.....	100,367.67	111,897.74	51,228.35
3. TAXES OTHER THAN INCOME AND EXCESS PROFITS TAXES:			
Real Estate	139,760.00	137,520.00	56,400.00
New York State Franchise.....	34,496.29 (C)	16,173.81	13,089.49
Federal Capital Stock.....	4,375.00	3,750.00	.....
City Gross Receipts.....	771.92	891.15	632.47
4. MANAGEMENT AND SERVICE CONTRACT FEES INCLUDED IN OTHER GENERAL EXPENSES:			
Rooms, Banquet and Cafe Commissions.....	2,245.89	2,538.45	1,887.87
Laundry Management Fee.....	2,273.30	2,040.00	850.00
5. RENTS AND ROYALTIES.....	None	None	None

NOTES: (A) Includes extraordinary repairs of \$55,667.28 representing all of the replacement items in the refurbished Grill and 50% of the remodeled entrance cost to December 31, 1945.

(B) Includes extraordinary repairs of \$29,108.05 representing all of the replacement items in the refurbished Grill and 50% of the remodeled entrance costs from January 1 to May 31, 1946.

(C) Includes 1943 and 1944 accrued franchise taxes deductible in 1944 for Federal income tax purposes.

EXHIBIT D-3

FINANCIAL STATEMENTS

OF

GEORGE F. GETTY, INC.

(merged into Pacific Western Oil Corporation as of May 31, 1946)

AUDITORS' CERTIFICATE

We have examined the statements of income and surplus of George F. Getty, Inc. (a Delaware corporation, hereinafter referred to as the Company) for the two years and five months ended May 31, 1946, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying statements of income and surplus and the schedule of supplementary income account information present fairly the results of operations of George F. Getty, Inc. for the two years and five months ended May 31, 1946, and are in conformity with generally accepted accounting principles consistently applied during the period under review.

ARTHUR ANDERSEN & Co.

Los Angeles, California,
July 19, 1946.

(Released October 13, 1947)

GEORGE F. GETTY, INC.

(Merged into Pacific Western Oil Corporation as of May 31, 1946)

STATEMENTS OF INCOME

For the Two Years and Five Months Ended May 31, 1946

	Year Ended December 31—		Five Months Ended May 31, 1946
	1944	1945	
GROSS OPERATING INCOME:			
Crude oil sales.....	\$1,927,355.83	\$1,716,592.85	\$ 648,967.81
Natural gasoline and dry gas sales.....	63,506.13	64,078.75	26,431.84
Rental of drilling equipment—Pacific Western Oil Corporation	58,621.26	99,650.00	5,400.00
Other (net)	58,736.99	51,063.05	27,850.81
	<u>\$2,108,220.21</u>	<u>\$1,931,384.65</u>	<u>\$ 708,650.46</u>
Less—Oil and gas royalties and crude oil purchases.....	265,789.29	242,977.95	90,772.05
	<u>\$1,842,430.92</u>	<u>\$1,688,406.70</u>	<u>\$ 617,878.41</u>
OPERATING CHARGES:			
Operating expenses, exclusive of items listed below.....	\$ 558,089.41	\$ 623,207.82	\$ 238,895.95
Selling, and general and administrative expenses.....	218,958.26	256,063.94	130,191.78
Reserve provisions (Note 1)—			
Depreciation and depletion.....	529,246.74	441,401.93	158,546.28
Abandonments	120,000.00	120,000.00	50,000.00
Intangible development costs.....	678,337.44	589,733.09	204,411.16
Drilling equipment expenses.....	59,179.29	126,957.79	13,942.94
	<u>\$2,163,811.14</u>	<u>\$2,157,364.57</u>	<u>\$ 795,988.11</u>
Net income (loss*) from operations.....	<u>\$ 321,380.22*</u>	<u>\$ 468,957.87*</u>	<u>\$ 178,109.70*</u>
OTHER INCOME:			
Dividends from—			
Pacific Western Oil Corporation, subsidiary company.....	\$ 388,009.50	\$ 400,709.50	\$ 400,709.50
Tide Water Associated Oil Company.....	327,754.00	327,754.00	131,101.60
Interest from—			
Getty Realty Corporation, subsidiary company.....	83,010.00	150,000.00	62,500.00
Pacific Western Oil Corporation.....	6,670.12	.....	.....
Other	2,450.00	3,248.13	.....
Net profit on sale of plant assets.....	2,301.76	.....	.....
Miscellaneous	884.77	.....	.....
	<u>\$ 811,080.15</u>	<u>\$ 881,711.63</u>	<u>\$ 594,311.10</u>
Net income before other charges and Federal income taxes	<u>\$ 489,699.93</u>	<u>\$ 412,753.76</u>	<u>\$ 416,201.40</u>
OTHER CHARGES:			
Interest on bank loans, prior years' income taxes, etc.....	\$ 5,142.69	\$ 6,857.14	\$ 8,541.23
Net loss on sale of investments.....	.....	26,125.72	.....
Expenses of rental buildings (net).....	5,172.07	103.53	.....
	<u>\$ 10,314.76</u>	<u>\$ 33,086.39</u>	<u>\$ 8,541.23</u>
Net income before Federal income taxes.....	<u>\$ 479,385.17</u>	<u>\$ 379,667.37</u>	<u>\$ 407,660.17</u>
FEDERAL INCOME TAXES (no provision required for excess profits tax)	5,000.00	5,328.76	12,000.00
Net income	<u>\$ 474,385.17</u>	<u>\$ 374,338.61</u>	<u>\$ 395,660.17</u>

* Denotes red figure.

The accompanying notes are an integral part of these statements.

GEORGE F. GETTY, INC.

(Merged into Pacific Western Oil Corporation as of May 31, 1946)

NOTES TO STATEMENTS OF INCOME

(1) Depreciation and depletion of producing properties are provided generally on a unit of production basis, except that some classes of equipment are depreciated on a straight-line basis over the estimated remaining useful lives, after giving effect to estimated salvage value. Nonproducing oil lands and leases are not amortized or depleted until they become producing properties. However, the Company has made provisions at the annual rate of \$120,000 for a reserve for lease abandonment costs. Charges to this reserve amounted to \$98,489, \$96,780 and \$62,646 in the respective periods 1944, 1945 and 1946. Intangible development costs have been charged to expense as incurred.

(2) The Company follows the practice of capitalizing major renewals and betterments and charging maintenance and repairs to expense as incurred.

(3) It is the policy of the Company to credit the asset accounts at cost for major items of equipment and property retired, to charge the related reserves for the amount of the accumulated depreciation or depletion applicable to the assets retired, sold or abandoned and to credit or charge the resulting gain or loss to the income account. No gain or loss is reflected in the income statement in the case of minor retirements.

(4) Inventories of crude oil, stated at the lower of cost or market, were as follows:

December 31—

1943	\$17,193.57
1944	17,953.33
1945	19,274.55
May 31, 1946	<u>19,486.66</u>

GEORGE F. GETTY, INC.

(Merged into Pacific Western Oil Corporation as of May 31, 1946)

STATEMENTS OF SURPLUS

For the Two Years and Five Months Ended May 31, 1946

	Year Ended December 31		Five Months Ended May 31, 1946
	1944	1945	
CAPITAL SURPLUS			
Balance at beginning and end of period (No change during period)	<u>\$2,414,072.83</u>	<u>\$2,414,072.83</u>	<u>\$2,414,072.83</u>
EARNED SURPLUS			
Balance at beginning of period	<u>\$4,029,772.82</u>	<u>\$4,694,460.42</u>	<u>\$4,764,839.03</u>
Add—			
Net income	\$ 474,385.17	\$ 374,338.61	\$ 395,660.17
Reversal of provision for prior years' Federal income taxes upon final settlement in 1944.....	664,714.93	.....	.....
	<u>\$1,139,100.10</u>	<u>\$ 374,338.61</u>	<u>\$ 395,660.17</u>
	<u>\$5,168,872.92</u>	<u>\$5,068,799.03</u>	<u>\$5,160,499.20</u>
Deduct—			
Cash dividends paid—\$4.00 per share	\$ 306,684.00	\$ 303,960.00	\$ 303,960.00
Provision for prior years' California franchise tax and accrued interest thereon	167,728.50	.....	.....
	<u>\$ 474,412.50</u>	<u>\$ 303,960.00</u>	<u>\$ 303,960.00</u>
Balance at end of period	<u><u>\$4,694,460.42</u></u>	<u><u>\$4,764,839.03</u></u>	<u><u>\$4,856,539.20</u></u>

GEORGE F. GETTY, INC.

(Merged into Pacific Western Oil Corporation as of May 31, 1946)

SUPPLEMENTARY INCOME ACCOUNT INFORMATION

For the Two Years and Five Months Ended May 31, 1946

Item	—Charged Directly to Income Account—			Charged to Other Accounts
	Year Ended December 31— 1944	1945	Five Months Ended May 31, 1946	
Maintenance and repairs.....	\$117,840.43	\$131,324.80	\$ 46,191.80	\$
Provision for—				
Depreciation	150,936.28	187,510.30	62,133.48	.....
Depletion	378,310.46	253,891.63	96,412.80	.....
Intangible development costs.....	678,337.44	589,733.09	204,411.16	.....
Abandonments	120,000.00	120,000.00	50,000.00	.....
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Taxes (other than income taxes)—				
Real estate, personal property and mining rights....	\$ 68,834.69	\$ 75,463.98	\$ 23,275.83	\$
Federal capital stock tax.....	1,250.00	.....	.....	.....
State franchise	3,063.70	2,674.62	2,682.46	.....
Social security and other taxes.....	2,682.77	6,200.02	16,989.71	.....
	<u>\$ 75,831.16</u>	<u>\$ 84,338.62</u>	<u>\$ 42,948.00</u>	<u>\$</u>
Management and service contract fees.....	\$ 32,552.76	\$ 40,670.55	\$ 23,491.66	\$
Rents (see note).....	68,337.26	78,773.61	34,016.59	.....
Royalties—				
Oil and gas.....	265,789.29	242,977.95	90,772.05	.....
For use of equipment.....	966.04	189.49	.....	.....
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTE: The aggregate amount of rentals upon all real property now leased to the Company, for terms expiring more than three years after May 31, 1946, is not significant.

EXHIBIT E-1

FINANCIAL STATEMENTS
OF
MISSION CORPORATION

AUDITORS' CERTIFICATE

We have examined the balance sheet of Mission Corporation (a Nevada corporation) as of December 31, 1946 and the related statements of income and earned surplus for the two years ended that date, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and earned surplus and the schedule of supplementary income account information present fairly the position of Mission Corporation at December 31, 1946, and the results of its operations for the two years ended that date, and are in conformity with generally accepted accounting principles applied on a consistent basis during the period under review.

ARTHUR ANDERSEN & Co.

Los Angeles, California,
March 10, 1947.

(Released October 13, 1947.)

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To the stockholders and directors,
MISSION CORPORATION:

We have examined the accompanying statements and schedules of Mission Corporation (a Nevada corporation) for the year ended December 31, 1944. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

In our opinion, the annexed statements of income and earned surplus and notes thereto (pages 4 to 7) present fairly the results of operations of Mission Corporation for the year ended December 31, 1944 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & Co.

New York, N. Y.
October 14, 1947 as of April 6, 1945.

MISSION CORPORATION

BALANCE SHEET—DECEMBER 31, 1946

ASSETS

CURRENT ASSETS:

Cash in banks and on hand.....	\$ 477,328.74	
United States Government securities, at cost.....	700,000.00	
Accounts receivable from affiliated company, current (Skelly Oil Company)	3,890.97	
Accounts receivable, miscellaneous.....	585.07	
Accrued interest receivable.....	11,010.42	
Inventory of crude oil, at cost.....	422.24	\$ 1,193,237.44

INVESTMENT IN COMMON STOCK OF TIDE WATER ASSOCIATED OIL COMPANY:

1,341,493 shares, including 878,123 shares carried at approximately \$9.30 per share as fixed by the Board of Directors on January 23, 1935 based upon the stated value of capital stock issued in exchange therefor, and subsequent additions at cost (Note 2).....	13,858,819.45
--	---------------

INVESTMENT IN SUBSIDIARY COMPANY (Skelly Oil Company):

582,657 shares (out of 981,348.6 outstanding), including 557,557 shares carried at approximately \$6.27 per share as fixed by the Board of Directors on January 23, 1935 based upon the stated value of capital stock issued in exchange therefor, and subsequent additions at cost (Notes 1 and 2).....	4,250,289.45
--	--------------

MISCELLANEOUS ASSETS:

Oil producing lease and equipment, at cost less \$261,215.76 reserves for depletion, depreciation and intangible development expenditures.....	\$ 83,599.17	
Royalty interests, at cost less \$15,329.83 reserve for depletion.....	50,644.02	
Furniture and fixtures, at cost less \$6,783.12 reserve for depreciation.....	70.40	134,313.59

DEFERRED CHARGES.....		1,337.43
		<u>\$19,437,997.36</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 1,298.03	
Federal income tax withheld on dividends.....	3,459.84	
Provision for Federal income taxes.....	166,250.00	\$ 171,007.87

CAPITAL STOCK AND EARNED SURPLUS:

Capital Stock of \$10 par value—		
Authorized—1,500,000 shares.		
Outstanding (including 5,400 shares held for retirement, deducted below)—1,379,545 shares.....	\$13,795,450.00	
Earned surplus, per accompanying statement.....	5,535,831.99	
	<u>\$19,331,281.99</u>	
Less—Cost of 5,400 shares of capital stock held for retirement.....	64,292.50	19,266,989.49
		<u>\$19,437,997.36</u>

The accompanying notes are an integral part of this balance sheet.

MISSION CORPORATION

NOTES TO BALANCE SHEET

(1) At December 31, 1946, Mission Corporation owned 59.37 per cent of the outstanding common stock of Skelly Oil Company, the accounts of which are not consolidated with those of Mission Corporation. The equity attaching to the investment in Skelly Oil Company as at December 31, 1946, calculated on the amount of net assets shown in the published financial statements of that company at that date, was approximately \$43,916,000 (see also Note 2).

At December 31, 1946, Pacific Western Oil Corporation owned 641,808 shares (46.71 per cent) of the outstanding stock of Mission Corporation (1,374,145 shares, after deducting 5,400 shares held for retirement).

(2) The last sales price for Tide Water Associated Oil Company common stock at December 31, 1946, on the New York Stock Exchange was \$19.875 per share. 1,341,493 shares at \$19.875 per share would amount to \$26,662,173, but such amount is not represented to be the aggregate market value or realizable value of such shares.

The last sale price for Skelly Oil Company common stock at December 31, 1946 on the New York Stock Exchange was \$71.00 per share. 582,657 shares at \$71.00 per share would amount to \$41,368,647, but such amount is not represented to be the aggregate market value or realizable value of such shares.

MISSION CORPORATION

STATEMENTS OF INCOME

For the Three Years Ended December 31, 1946

INCOME:

	Year Ended December 31		
	1944	1945	1946
Dividends and interest—			
Dividends—			
Tide Water Associated Oil Company.....	\$1,278,643.00	\$1,316,753.00	\$1,319,093.00
Skelly Oil Company (a subsidiary company).....	1,005,474.75	1,161,714.00	1,165,314.00
	<u>\$2,284,117.75</u>	<u>\$2,478,467.00</u>	<u>\$2,484,407.00</u>
Interest income	3,785.00	5,130.00	7,339.00
Total dividends and interest income.....	<u>\$2,287,902.75</u>	<u>\$2,483,597.00</u>	<u>\$2,491,746.00</u>
Oil operations—			
Sales of crude oil to Skelly Oil Company.....	<u>\$ 117,527.33</u>	<u>\$ 119,502.00</u>	<u>\$ 127,270.41</u>
Cost of sales—			
Provision for depletion and depreciation (Note 2)....	\$ 20,945.87	\$ 16,399.34	\$ 15,580.91
Taxes, other than Federal income.....	1,344.65	1,457.41	1,985.13
Maintenance and repairs (Note 3).....	1,397.71	1,159.90	1,950.49
Other costs (Note 1).....	6,950.44	7,835.96	8,822.11
Total	<u>\$ 30,638.67</u>	<u>\$ 26,852.61</u>	<u>\$ 28,338.64</u>
Net income from crude oil sales.....	<u>\$ 86,888.66</u>	<u>\$ 92,649.39</u>	<u>\$ 98,931.77</u>
Royalty interests—			
Income received	\$ 96.51	\$ 733.80	\$ 1,385.59
Less—Provision for depletion (Note 2).....	.....	5,710.72	9,619.11
Net royalty income or loss*.....	<u>\$ 96.51</u>	<u>\$ 4,976.92*</u>	<u>\$ 8,233.52*</u>
Net income from oil operations.....	<u>\$ 86,985.17</u>	<u>\$ 87,672.47</u>	<u>\$ 90,698.25</u>
Total income	<u>\$2,374,887.92</u>	<u>\$2,571,269.47</u>	<u>\$2,582,444.25</u>

EXPENSES:

Stock transfer and registration fees and expenses.....	\$ 12,801.81	\$ 16,329.43	\$ 15,490.48
Printing, postage and stationary.....	11,372.28	10,143.02	12,332.69
Taxes, other than Federal income.....	6,373.55	4,356.08	4,724.74
Office and administrative expenses (Note 1).....	10,498.50	12,443.22	13,165.85
Directors' fees and expenses.....	2,095.81	1,509.84	1,387.89
Legal and accounting services.....	2,532.74	4,177.51	2,625.00
Depreciation of furniture and fixtures.....	905.30	8.80	.....
Total	<u>\$ 46,579.99</u>	<u>\$ 48,967.90</u>	<u>\$ 49,726.65</u>
Balance before provision for Federal income taxes	<u>\$2,328,307.93</u>	<u>\$2,522,301.57</u>	<u>\$2,532,717.60</u>
PROVISION FOR FEDERAL INCOME TAXES.....	147,507.46	157,075.20	151,000.00
Net income for the year.....	<u>\$2,180,800.47</u>	<u>\$2,365,226.37</u>	<u>\$2,381,717.60</u>

* Denotes red figure.

The accompanying notes are an integral part of these statements of income.

MISSION CORPORATION

NOTES TO STATEMENTS OF INCOME

(1) The accompanying statements of income reflect the amount of dividends received from and the crude oil sold to Skelly Oil Company, which operates the producing oil lease owned by Mission Corporation. Minor amounts charged by Skelly Oil Company for services, supplies, etc., in operating the lease, are included in "Other costs" in the statements of income.

Included in "Office and administrative expenses" in the accompanying statements are charges made by Pacific Western Oil Corporation for office space, accounting and general administrative expenses in the following amounts:

1944	\$ 4,200
1945	4,200
1946	<u>10,800</u>

(2) Provisions for depletion of Mission Corporation's oil lease and royalty interests and for depreciation of oil wells and field equipment are calculated on the "per barrel" basis. The "per barrel" rate is determined by dividing the net investments in the oil lease and royalty interests and in the oil wells and field equipment by the corporation's interest (in barrels) in the estimated net recoverable oil. The rate so derived is multiplied by the corporation's interest (in barrels) in crude oil produced to determine the provision for depletion and depreciation.

Intangible development expenditures are fully reserved for by charges to the income account at the time such expenditures are made.

When property is sold or otherwise retired from service the asset account is relieved of the cost of such property and the related reserve account is relieved of the depletion or depreciation that has been provided in respect of such property and the resulting loss or gain is charged or credited to the income account. There were no retirements during the three years ended December 31, 1946.

(3) Expenditures for maintenance and repairs are charged directly to the income account as they are made. Expenditures for betterments and renewals are charged to the property accounts, which accounts are relieved of the cost of the property replaced.

(4) The net income of Skelly Oil Company and Subsidiaries and the portion related to the 582,657 shares of common stock of Skelly Oil Company owned by Mission Corporation was as follows:

Year	Net Income of Skelly Oil Company and Subsidiaries	Portion Relating to Interest of Mission Corporation
1944.....	\$ 7,223,000	\$4,288,000
1945.....	8,531,000	5,065,000
1946.....	<u>10,109,000</u>	<u>6,002,000</u>

MISSION CORPORATION

EARNED SURPLUS STATEMENTS

For the Three Years Ended December 31, 1946

	Year Ended December 31		
	1944	1945	1946
Balance, beginning of year.....	\$4,038,710.30	\$4,500,579.52	\$5,146,874.64
Net income for the year.....	2,180,800.47	2,365,226.37	2,381,717.60
	<u>\$6,219,510.77</u>	<u>\$6,865,805.89</u>	<u>\$7,528,592.24</u>
Dividends paid	1,718,931.25	1,718,931.25	1,992,760.25
Balance, at end of year.....	<u><u>\$4,500,579.52</u></u>	<u><u>\$5,146,874.64</u></u>	<u><u>\$5,535,831.99</u></u>

MISSION CORPORATION

SUPPLEMENTARY PROFIT AND LOSS INFORMATION

For the Three Years Ended December 31, 1946

Item	Charged Directly to Income Accounts		Total
	(1) To Costs of Oil Operations	(2) Expenses	
YEAR ENDED DECEMBER 31, 1944:			
Maintenance and repairs.....	\$ 1,397.71	\$	\$ 1,397.71
Depletion, depreciation, and amortization of fixed assets	20,945.87	905.30	21,851.17
Taxes, other than Federal income taxes.....	1,344.65	6,373.55	7,718.20
Management and service contract fees (note).....	.....	4,200.00	4,200.00
Rents .....	.....	1,440.00	1,440.00
	<u>.....</u>	<u>.....</u>	<u>.....</u>
YEAR ENDED DECEMBER 31, 1945:			
Maintenance and repairs.....	\$ 1,159.90	\$	\$ 1,159.90
Depletion, depreciation, and amortization of fixed assets	22,110.06	8.80	22,118.86
	<u>.....</u>	<u>.....</u>	<u>.....</u>
Taxes, other than Federal income taxes—			
Property taxes	\$ 1,210.01	\$ 212.52	\$ 1,422.53
Social security taxes.....	110.93	506.88	617.81
Federal capital stock tax.....	.....	2,812.50	2,812.50
State income and franchise taxes.....	.....	824.18	824.18
Miscellaneous	136.47	.....	136.47
	<u>\$ 1,457.41</u>	<u>\$ 4,356.08</u>	<u>\$ 5,813.49</u>
Management and service contract fees (note).....	\$	\$ 4,200.00	\$ 4,200.00
Rents .....	.....	1,440.00	1,440.00
	<u>.....</u>	<u>.....</u>	<u>.....</u>
YEAR ENDED DECEMBER 31, 1946:			
Maintenance and repairs.....	\$ 1,950.49	\$	\$ 1,950.49
Depletion, depreciation, and amortization of fixed assets	25,200.02	.....	25,200.02
	<u>.....</u>	<u>.....</u>	<u>.....</u>
Taxes, other than Federal income taxes—			
Property taxes	\$ 1,723.58	\$ 230.58	\$ 1,954.16
Social security taxes.....	140.02	283.09	423.11
State income and franchise taxes.....	.....	4,211.07	4,211.07
Miscellaneous	121.53	.....	121.53
	<u>\$ 1,985.13</u>	<u>\$ 4,724.74</u>	<u>\$ 6,709.87</u>
Management and service contract fees (note).....	\$	\$10,800.00	\$10,800.00
Rents .....	.....	1,522.00	1,522.00
	<u>.....</u>	<u>.....</u>	<u>.....</u>

NOTE: Reference is made to Note 1 of notes to the statements of income.



EXHIBIT E-2

CONSOLIDATED FINANCIAL STATEMENTS

OF

SKELLY OIL COMPANY

(a subsidiary of Mission Corporation)

AND ITS SUBSIDIARIES

AUDITORS' CERTIFICATE

We have examined the consolidated balance sheet of Skelly Oil Company (a Delaware corporation) and Subsidiaries as of December 31, 1946, and the statements of consolidated income and surplus for the three years then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the position of Skelly Oil Company and Subsidiaries at December 31, 1946, and the results of their operations for the three years then ended, and the supporting schedule of supplementary profit and loss information presents fairly the information required to be set forth therein, and all are in conformity with generally accepted accounting principles applied on a consistent basis during the period under review.

ARTHUR ANDERSEN & Co.

Kansas City, Missouri,
March 7, 1947.

(Released October 16, 1947)

ASSETS

CURRENT ASSETS:

Cash		\$	4,187,560	
United States Government securities, at lower of cost or current realizable value:				
Treasury notes, tax series, at cost.....	\$5,854,000			
Treasury notes and savings bonds, cost \$150,000.....	147,350		6,001,350	
Receivables:				
Notes and acceptances.....	\$ 120,806			
Accounts	6,092,414			
	\$6,213,220			
<i>Less</i> —Reserve for doubtful receivables.....	84,141		6,129,079	
Inventories—Crude oil, refined products, and other mer- chandise priced at the lower of cost or market; materials and supplies priced at cost or less (Note 2):				
Crude oil and refined products.....	\$5,002,192			
Other merchandise	765,922			
Materials and supplies.....	4,712,610		10,480,724	\$ 26,798,713

INVESTMENTS AND LONG-TERM RECEIVABLES:

Capital stocks of sundry companies and other investments, at cost or lower ; quoted market prices not available (Note 4) :			
Capital stock of Great Lakes Pipe Line Company, at cost	\$ 393,697		
Other, less reserve for losses, \$99,019.....	6.134	\$	399,831
			<hr/>
Note of Midland Securities Company, due October 18, 1947 (Note 3).....			220,000
Deferred notes and accounts receivable, less reserve for doubtful receivables, \$5,714			28,408
			648,239

PROPERTY, PLANT, AND EQUIPMENT (Note 5):

Producing and undeveloped oil and gas properties.....	\$113,525,231	
Crude oil pipe line systems.....	3,710,576	
Refineries and natural gasoline plants.....	23,734,117	
Marketing facilities	15,759,606	
Other fixed assets.....	3,831,390	
	<u>\$160,560,920</u>	
<i>Less</i> —Reserves for depletion and depreciation.....	85,961,539	74,599,381

PREPAID INSURANCE, RENTALS, ETC.....	412,045
	<u>\$102,458,378</u>

The attached notes are an integral part of the foregoing balance sheet and must be read in connection therewith.

SKELLY OIL COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1946

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, including Federal and State excise taxes of \$762,863.....	\$ 6,730,358	
Note payable (current maturity of 1¾% installment note).....	400,000	
Accrued expenses:		
Salaries and wages.....	284,094	
General and property taxes.....	218,619	
Interest on installment note.....	21,000	
Other	321,057	
Provision for taxes on income (Note 6).....	2,132,194	\$ 10,107,322

FUNDED DEBT:

2¾% debentures due July 1, 1965.....	\$ 10,000,000	
1¾% installment note due 1947-1955 (less \$400,000 maturity included in current liabilities)	6,400,000	16,400,000

RESERVES:

Reserve for pending litigation and other contingencies.....	\$ 1,592,237	
Reserve for workmen's compensation and public liability risks.....	388,186	1,980,423

CAPITAL STOCK AND SURPLUS:

Common stock, \$15.00 par value:		
Authorized 1,400,000 shares		
Outstanding (after deducting 27,200 shares held in treasury, at par)		
981,348.6 shares	\$ 14,720,229	
Capital surplus (per accompanying statement).....	13,055,246	
Earned surplus (Note 7) (per accompanying statement).....	46,195,158	73,970,633

\$102,458,378

The attached notes are an integral part of the foregoing balance sheet and must be read in connection therewith.

NOTES RELATING TO THE CONSOLIDATED BALANCE SHEET OF

SKELLY OIL COMPANY AND SUBSIDIARIES

As At December 31, 1946

- (1) Skelly Oil Company consolidates its accounts with those of all companies in which it owns more than 50% of the voting stock; companies consolidated in the accompanying balance sheet are Perry Petroleum Company and Skelco Products Company, wholly-owned subsidiaries. Intercompany items are eliminated in consolidation.
- (2) Inventories of crude oil are priced at the lower of average cost of production or quoted market price, each determined for the state in which the oil is located; average cost of production is determined from costs incurred in a period sufficiently long to account for the production of quantities equal to inventory quantities. Inventories of refined petroleum products are priced, by class of product, at the lower of average cost of production or quoted wholesale market price at the refinery, less an allowance for loading. In the case of refined products stored at locations other than the refinery, transportation cost has been added to the basic inventory price so determined. Average cost of production of refined petroleum products is also determined from costs incurred in a period sufficiently long to account for the production of quantities equal to inventory quantities and the costs are allocated as among products produced on the basis of the related quoted market prices. Materials and supplies are stated, generally, at current cost as evidenced by catalog or list prices, less an allowance for condition. Miscellaneous merchandise inventories are priced at the lower of purchase cost or market. No intercompany profits are included in the inventories.
- (3) The consolidated balance sheet of the company and its subsidiaries includes, under investments and long-term receivables, a note receivable from Midland Securities Company in the amount of \$220,000. This note is endorsed by W. G. Skelly, president and a director of Skelly Oil Company, (who controls the capital stock of Midland Securities Company) and is collateralized by pledge of securities of another company.
- (4) The amounts at which capital stocks of sundry companies and other investments are stated do not purport to represent their present-day realizable value.
- (5) The amounts at which property, plant, and equipment are stated do not purport to represent their present-day replacement or realizable value. The company represents that it has recorded additions to property, plant, and equipment at cost, except that properties acquired by the company in liquidation of subsidiaries are recorded in its accounts at amounts equal to those shown by the books of the subsidiaries. The net amount remaining in the accounts of the company with respect to such properties is not now determinable without unreasonable expense, but the company believes that such amount is relatively small, and that for all practical purposes the gross amounts of property, plant, and equipment are stated at cost.

The companies' policies relating to provisions for depletion, depreciation, and obsolescence of physical properties are outlined in Note 2 relating to the income account.

- (6) The company's liability for Federal income taxes for the years from 1943 to 1946, both inclusive, has not yet been finally determined, but the company believes that the provision reflected in the foregoing balance sheet will be adequate to cover such liability, including interest thereon, when ultimately determined.
- (7) The trust agreement with respect to the 1¾% installment note provides, in part, that no dividends (other than a stock dividend) may be paid or any funded debt retired (other than the installment note) if after such payment or retirement (a) consolidated earned surplus would be less than \$18,000,000 or the amount of funded debt, whichever is the lesser, or (b) consolidated net current assets would be less than \$9,000,000 or 50% of funded debt, whichever is the lesser. Due to this provision, approximately \$37,000,000 of earned surplus is unavailable for cash dividends at December 31, 1946.
- (8) The unpaid amount of premiums based on past services, payable by the company under its retirement annuity plan for employees, aggregate approximately \$575,000 at December 31, 1946. Such premiums are payable at not less than \$300,000 nor more than \$600,000 per annum. The plan is cancellable by the company.

SKELLY OIL COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME ACCOUNTS

For the Three Years Ended December 31, 1946

	Year Ended December 31,		
	1944	1945	1946
GROSS OPERATING INCOME.....	\$59,866,296	\$61,413,788	\$78,498,153
OPERATING CHARGES:			
Cost of sales and services, excluding items shown separately below	\$31,449,561	\$32,965,351	\$43,527,083
Selling, general and administrative expenses.....	8,267,156	9,129,140	10,929,018
Depletion, depreciation, exploratory costs, etc—			
Depletion and depreciation of oil and gas producing properties	3,995,656	4,474,172	5,521,175
Depreciation and amortization of other property, plant, and equipment	1,699,811	1,949,341	1,836,616
Exploratory costs, delay rentals, and lease cancellations....	4,027,878	5,323,386	4,787,076
Net loss on disposal of property, plant, and equipment.....	88,202	56,431	33,935
Provision for doubtful receivables, less recoveries.....	1,352*	31,276	12,687*
Total operating charges.....	\$49,526,912	\$53,929,097	\$66,622,216
Net operating income.....	\$10,339,384	\$ 7,484,691	\$11,875,937
NON-OPERATING INCOME:			
Dividends received from Great Lakes Pipe Line Company.....	\$ 99,491	\$ 90,712	\$ 90,712
Dividends received on sundry investments.....	695	35	35
Discounts on purchases.....	167,118	217,127	282,094
Interest on trade notes and accounts receivable, etc.....	80,485	115,969	118,425
Interest on notes receivable from subsidiary.....	88,565	.....	.....
Parent company's proportion of net profit of Spartan Aircraft Company (Note 1).....	204,128	.....	.....
Gain on sale of capital stock of Spartan Aircraft Company (Note 8) .....	.....	622,870	.....
Other (Note 9).....	19,397	232,520	60,115
Total non-operating income.....	\$ 659,879	\$ 1,279,233	\$ 551,381
Net income before income deductions, interest, etc.....	\$10,999,263	\$ 8,763,924	\$12,427,318
INCOME DEDUCTIONS:			
Discounts on sales.....	\$ 203,151	\$ 209,346	\$ 281,423
Other	88,743	76,678	43,792
Total income deductions.....	\$ 291,894	\$ 286,024	\$ 325,215
Net income before interest and other charges on funded debt, and provision for taxes on income.....	\$10,707,369	\$ 8,477,900	\$12,102,103
INTEREST AND OTHER CHARGES ON FUNDED DEBT:			
Interest on debentures and long-term notes.....	\$ 313,714	\$ 381,986	\$ 409,167
Amortization of debt discount and expense on 3% debentures	30,752	121,293	.....
Redemption premium on 3% debentures.....	.....	150,000	.....
Expense on issuance of 2¾% debentures.....	.....	71,384	.....
Premium on sale of 2¾% debentures (net of underwriter's commission) .....	.....	25,000*	.....
Provision for redemption premium on 2¾% debentures.....	.....	1,963	4,171
Total interest and other charges on funded debt.....	\$ 344,466	\$ 701,626	\$ 413,338
Net income before provision for taxes on income.....	\$10,362,903	\$ 7,776,274	\$11,688,765
PROVISION FOR TAXES ON INCOME:			
Federal income tax.....	\$ 1,090,900	\$ 240,000	\$ 1,500,000
Federal excess profits tax.....	1,987,900	75,000	.....
State income taxes.....	61,200	30,000	80,000
Total provision for taxes on income.....	\$ 3,140,000	\$ 345,000	\$ 1,580,000
Net income before special credit.....	\$ 7,222,903	\$ 7,431,274	\$10,108,765
SPECIAL CREDIT, representing refundable Federal taxes on income of a prior year, resulting from carry-back of unused excess profits tax credit of current year.....	.....	1,100,000	.....
Net income	\$ 7,222,903	\$ 8,531,274	\$10,108,765

* Denotes red figure.

The attached notes are an integral part of the foregoing income account and must be read in connection therewith.

NOTES RELATING TO THE CONSOLIDATED INCOME ACCOUNTS OF SKELLY OIL COMPANY AND SUBSIDIARIES

For the Three Years Ended December 31, 1946

- (1) All intercompany transactions with Perry Petroleum Company and Skelco Products Company, wholly-owned subsidiaries, are eliminated in consolidation, except in 1944 in which year such transactions with Perry Petroleum Company were insignificant in amount and are not eliminated in consolidation. The capital stock of Perry Petroleum Company was acquired by the parent company in June, 1944.

Because of the differences in the nature of its business the accounts of Spartan Aircraft Company are not included in the consolidated income account for 1944 except as to the parent company's proportion of net profit. The Company sold its entire investment in capital stock of Spartan Aircraft Company on October 24, 1945 (see Note 8 to income accounts). The income account of Spartan Aircraft Company for the period of January 1, 1945 to the date of sale has not been included in the consolidated income account for 1945.

- (2) It is the company's policy not to provide for amortization of oil and gas properties until production begins. The company computes depletion and depreciation of oil and gas producing properties on the unit rate of production basis applied to individual leases, estimating its proportions of recoverable oil and gas reserves annually for this purpose.

Depreciation of property, plant, and equipment, other than oil and gas producing properties, has been computed by the company on each class of depreciable property at rates considered adequate to recover the cost of the property, less estimated salvage, on a prorata basis over the economic or physical life thereof, whichever shorter. The rates for the various classes of property were determined from a study of the expired and remaining lives of the properties by engineers of the company.

- (3) With respect to property retired or otherwise disposed of, it is the general policy of the company to charge to the related depreciation or depletion reserve the excess of cost of the depreciable property retired over the proceeds realized from disposal, and profits or losses on disposal are not recognized. In the case of retirement of property with respect to which no depletion or depreciation reserves have been provided, it is the policy of the company to charge or credit the income account with the difference between cost and proceeds.

- (4) It is the company's policy to charge the costs of maintenance and repairs to the income account as incurred. The costs of renewals and betterments constituting improvements to the physical properties are capitalized as incurred and the costs of replaced units are retired from property, plant, and equipment on the basis outlined in the preceding paragraph.

- (5) No provision has been made in the income account for royalties, if any, which may be payable under patents now in process of litigation. While the outcome of this litigation cannot be definitely predicted, the management believes that no royalties will ultimately have to be paid under these patents.

- (6) Inventories affecting the foregoing income accounts are shown in the following tabulation:

	December 31,				
	1943	1944(*)		1945	1946
		Including Spartan Aircraft Company	Excluding Spartan Aircraft Company		
Crude oil	\$ 857,394	\$ 837,819	\$ 837,819	\$1,171,435	\$ 1,272,867
Refined products	3,331,127	3,057,389	3,057,389	3,253,607	3,729,325
Materials and supplies.....	3,304,185	4,711,265	3,341,185	3,473,248	4,712,610
Miscellaneous merchandise	548,922	514,167	514,167	401,545	765,922
Contract work in process.....	985,609	1,642,720	.....	.....	.....
	<u>\$9,027,237</u>	<u>\$10,763,360</u>	<u>\$7,750,560</u>	<u>\$8,299,835</u>	<u>\$10,480,724</u>

(*) The inventories of Spartan Aircraft Company at December 31, 1944 do not affect the foregoing income account for 1945 as the income of Spartan Aircraft Company from January 1, 1945 to October 24, 1945 (the date of sale of the parent company's interest) is not included in the consolidated income account.

The bases on which inventories are priced are described in Note 2 to the accompanying balance sheet.

NOTES RELATING TO THE CONSOLIDATED INCOME ACCOUNTS OF

SKELLY OIL COMPANY AND SUBSIDIARIES

For the Three Years Ended December 31, 1946 (Continued)

(7) Final settlement was made during 1946 of the liabilities of Skelly Oil Company and Perry Petroleum Company (a consolidated subsidiary) under the Federal statute authorizing renegotiation of war contracts. An aggregate refund, net of the related reduction in Federal taxes upon income, of \$10,713 was paid to Reconstruction Finance Corporation upon 1944 earnings and it was determined that no excessive profits were realized in 1945.

(8) On October 24, 1945 Skelly Oil Company sold its entire investment in the capital stock of Spartan Aircraft Company, a subsidiary consolidated in financial statements of prior years. The gain on the sale has been determined as follows:

Equity of Skelly Oil Company in net assets of Spartan Aircraft Company at December 31, 1944—	
Cost of investment in capital stock.....	\$2,129,646
Less—Reserve for losses on investment.....	622,870
	<u>\$1,506,776</u>
Cost of additional shares of capital stock acquired in 1945.....	1,500
	<u>\$1,508,276</u>
Less—Dividend received in 1945.....	689,600
	<u>\$ 818,676</u>
Proceeds of sale.....	1,441,546
Gain on sale.....	<u><u>\$ 622,870</u></u>

The equity of Skelly Oil Company in the net assets of Spartan Aircraft Company at the date of sale as indicated by an unaudited balance sheet of the former subsidiary at October 31, 1945, approximated \$1,370,000.

(9) Other non-operating income consists of the following:	<u>1944</u>	<u>1945</u>	<u>1946</u>
Recovery of excess tank car mileage applicable to the years 1942 and 1943.....	\$	\$115,846	\$
Recovery of social security taxes paid in 1945 and prior years .....	.....	81,709	7,428
Adjustment required to place book valuation of oil and gas properties on basis determined by the Bureau of Internal Revenue for computing depletion for tax purposes.....	.....	.....	10,404
Unclaimed and unpresented checks, outstanding for several years, cleared to income.....	.....	.....	14,505
Payment received from Mr. W. G. Skelly, President, in compliance with Sec. 16 (b) of Securities Exchange Act of 1934 .....	.....	.....	12,249
Miscellaneous	19,397	34,965	15,529
	<u>\$19,397</u>	<u>\$232,520</u>	<u>\$60,115</u>

SKELLY OIL COMPANY AND SUBSIDIARIES

SURPLUS ACCOUNTS

For the Three Years Ended December 31, 1946

	<u>1944</u>	<u>1945</u>	<u>1946</u>
CAPITAL SURPLUS:			
Balance at beginning and close of year.....	<u>\$13,055,246</u>	<u>\$13,055,246</u>	<u>\$13,055,246</u>
No changes occurred in the capital surplus account of the company and subsidiaries consolidated during the three years ended December 31, 1946.			
 EARNED SURPLUS:			
Balance at beginning of year.....	\$26,098,953	\$31,480,513	\$38,049,090
Add—Net income for the year.....	7,222,903	8,531,274	10,108,765
Totals	<u>\$33,321,856</u>	<u>\$40,011,787</u>	<u>\$48,157,855</u>
 Deduct—			
Cash dividends on common stock—			
\$1.75 per share in 1944, \$2.00 per share in 1945, and \$2.00 per share in 1946.....	\$ 1,717,360	\$ 1,962,697	\$ 1,962,697
Write-off of excess of cost of Perry Petroleum Company capital stock over net underlying book value at date of acquisition.....	123,983	.....	.....
Totals	<u>\$ 1,841,343</u>	<u>\$ 1,962,697</u>	<u>\$ 1,962,697</u>
Balance at close of year (see Note 7 to balance sheet).....	<u>\$31,480,513</u>	<u>\$38,049,090</u>	<u>\$46,195,158</u>

SKELLY OIL COMPANY AND SUBSIDIARIES
SUPPLEMENTARY PROFIT AND LOSS INFORMATION

For the Three Years Ended December 31, 1946

	Charged Directly to Profit and Loss		Charged to Other Accounts		Total
	To Costs or Operating Expenses	Other	Account	Amount	
YEAR ENDED DECEMBER 31, 1944:					
1. Maintenance and repairs (Note 1).....	\$1,229,998	\$735,084		\$	\$1,965,082
2. Depreciation, depletion, and amortization of fixed and intangible assets (or charges in lieu thereof):					
Lease cancellations and write-offs of undeveloped oil and gas properties	1,179,195	.....		.....	1,179,195
Depletion and depreciation of oil and gas producing properties	3,995,656	.....		.....	3,995,656
Depreciation and amortization of other property, plant, and equipment	1,699,811	821,338		.....	2,521,149
3. Taxes, other than income and excess profits taxes (Note 2):					
Real estate and personal property.....	429,062	15,351		.....	444,413
Social security	162,267	255,243		.....	417,510
Oil and gas production.....	502,063	.....		.....	502,063
Other	265,445	46,940	Property	813	313,198
4. Management and service contract fees.....	.....	.....		.....	.....
5. Rents and royalties:					
Rents (Note 3).....	1,162,751	196,717		.....	1,359,468
Royalties (Note 4).....	18,775	972		.....	19,747
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
YEAR ENDED DECEMBER 31, 1945:					
1. Maintenance and repairs (Note 1).....	\$1,535,166	\$		\$	\$1,535,166
2. Depreciation, depletion, and amortization of fixed and intangible assets (or charges in lieu thereof):					
Lease cancellations and write-offs of undeveloped oil and gas properties	1,196,992	.....		.....	1,196,992
Depletion and depreciation of oil and gas producing properties	4,474,172	.....		.....	4,474,172
Depreciation of other property, plant, and equipment.....	1,949,341	.....		.....	1,949,341
3. Taxes, other than income and excess profits taxes (Note 2):					
Real estate and personal property.....	533,829	.....		.....	533,829
Social security (Note 5).....	180,065	81,709*		.....	98,356
Oil and gas production.....	514,645	.....		.....	514,645
Other	201,646	.....		.....	201,646
4. Management and service contract fees.....	.....	.....		.....	.....
5. Rents and royalties:					
Rents (Note 3).....	1,425,392	.....		.....	1,425,392
Royalties (Note 4).....	15,623	.....		.....	15,623
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
YEAR ENDED DECEMBER 31, 1946:					
1. Maintenance and repairs (Note 1).....	\$1,518,325	\$		\$	\$1,518,325
2. Depreciation, depletion, and amortization of fixed and intangible assets (or charges in lieu thereof):					
Lease cancellations and write-offs of undeveloped oil and gas properties	1,091,294	.....		.....	1,091,294
Depletion and depreciation of oil and gas producing properties	5,521,175	.....		.....	5,521,175
Depreciation of other property, plant, and equipment.....	1,836,616	.....		.....	1,836,616
3. Taxes, other than income taxes (Note 2):					
Real estate and personal property.....	634,389	.....		.....	634,389
Social security	193,451	.....		.....	193,451
Oil and gas production.....	705,018	.....		.....	705,018
Other	148,631	.....		.....	148,631
4. Management and service contract fees.....	.....	.....		.....	.....
5. Rents and royalties:					
Rents (Note 3).....	1,554,203	.....		.....	1,554,203
Royalties (Note 4).....	6,684	.....		.....	6,684
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Denotes red figure.

Notes applicable to this schedule are presented on the following page.

SKELLY OIL COMPANY AND SUBSIDIARIES

NOTES TO SUPPLEMENTARY PROFIT AND LOSS INFORMATION

For the Three Years Ended December 31, 1946

- (1) Amounts reported as maintenance and repairs in the foregoing schedule include all charges so classified under the company's regular system of accounting which provides for the segregation as maintenance and repairs of all items reasonably and practicably ascertainable as such. Employees regularly engaged in the operation of producing leases or in the performance of other operating functions occasionally work on incidental maintenance assignments. In these cases, because of the impracticability of making exact allocations, labor and material costs properly chargeable to maintenance are classified in the company's accounts as operating expenses. In the company's opinion, the segregation of such maintenance charges would not be significant, is not necessary to the proper control of operations, and would be unreasonably costly.
- (2) State gasoline, Federal gasoline, and lubricating oil taxes collected from customers are not reflected in the gross operating income or in the expenses. Such taxes collected from customers of Skelly Oil Company and Subsidiaries aggregated \$7,216,048 in 1944, \$8,064,076 in 1945, and \$10,230,510 in 1946.
- (3) The company has represented that at December 31, 1946 it had 103 leases on real property for terms expiring after December 31, 1949 under which the aggregate annual rentals amount to approximately \$86,000. Leases on oil and gas properties are not included, as such leases generally may be permitted to lapse without liability.
- (4) No amounts are shown in the foregoing schedule for oil and gas royalties paid. Such royalties payable in kind are not reflected in the company's accounts and those payable in cash are accounted for as purchases.
- (5) In 1945 the company obtained a ruling from the Commissioner of Internal Revenue under which the company's tank station agents are exempted for purposes of computing Federal unemployment taxes. In accordance with this ruling, the company filed claims for refund of social security taxes paid on remuneration to tank station agents in 1945 and prior years, the aggregate net amount of which was included in the income accounts under non-operating income.

EXHIBIT F

SUNRAY OIL CORPORATION

PRO FORMA FINANCIAL STATEMENTS

SUNRAY OIL CORPORATION AND WHOLLY OWNED SUBSIDIARY

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1946

(not examined by independent public accountants)

Giving effect as at that date to the following proposed transactions:

- (a) Merger of Pacific and Mission into Sunray pursuant to Agreement of Merger dated October 18, 1947 as a result of which it is assumed that each share of 4¼% cumulative preferred stock, Series A, of Sunray will be converted into one share of cumulative prior preferred stock, 4½% series of 1947, and each share of capital stock of Mission (except any shares in treasury or owned by any other constituent corporation) will be converted into six shares of common stock of Sunray;
- (b) The consummation of agreement dated October 4, 1947 among the Trustees, Getty and Sunray, as amended, and the invitation by Sunray of tenders of capital stock of Pacific, as a result of which it is assumed that all of the outstanding shares of capital stock of Pacific will be purchased by Sunray for \$68 per share cash, and the cancellation pursuant to the Agreement of Merger of such shares and of shares held in the treasury of Pacific;
- (c) Issuance by Sunray for cash to an underwriting group consisting of Eastman, Dillon & Co. and others of \$39,000,000 of twenty year 3% debentures and 250,000 shares of cumulative second preferred stock, 4½% series of 1947, and to one or more banks of \$15,000,000 of a 1⅞% promissory note, at the principal amount of such debentures and note and the par value of such stock;

ASSETS

CURRENT ASSETS:

Cash on hand and demand deposits in banks.....	\$ 9,743,675
United States Government obligations.....	3,673,813
Accounts receivable, less reserves.....	3,301,981
Inventories	2,154,239
TOTAL CURRENT ASSETS.....	\$ 18,873,708

INVESTMENT IN SKELLY.....	64,146,899
OTHER INVESTMENTS	275,345
NOTES AND ACCOUNTS RECEIVABLE, EMPLOYEES.....	20,178

DEFERRED CHARGES:

Insurance, taxes, etc.....	\$ 442,549	
Financing, organization and merger expenses.....	737,627	1,180,176
PROPERTY, PLANT AND EQUIPMENT.....	\$187,327,288	
Less, Reserves for depreciation and depletion.....	69,541,626	117,785,662

\$202,281,968

NOTES:

This balance sheet has been prepared from the accompanying balance sheets of Sunray, Pacific and Mission and should be read in conjunction with such balance sheets including the notes thereto. Pro-

SUNRAY OIL CORPORATION AND WHOLLY OWNED SUBSIDIARY

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1946 (not examined by independent public accountants)

- (d) Retirement at 103¾% of the \$20,000,000 principal amount of twenty year 2⅞% debentures and at principal amount the \$10,000,000 1⅞% promissory note of Sunray;
- (e) Sale by Sunray for \$25 per share cash of 1,919,347 shares of common stock of Tide Water acquired from Pacific and Mission, and provision for income taxes on such sale; and
- (f) Certain other minor transactions.

L I A B I L I T I E S

CURRENT LIABILITIES:

Note payable to bank.....	\$ 1,000,000
Dividends payable	467,130
Accounts payable	3,019,348
Accrued liabilities, including income taxes.....	10,219,002
Other	81,675
Total current liabilities.....	<u>\$ 14,787,155</u>

ACCOUNTS PAYABLE IN ANNUAL INSTALMENTS (\$196,533 in 1948).....	2,828,300
---	-----------

FUNDED DEBT:

1⅞% promissory note	\$14,000,000	
Twenty year 3% debentures.....	39,000,000	53,000,000

PROVISION FOR ADDITIONAL INCOME TAXES.....	531,567
--	---------

C A P I T A L

CAPITAL STOCK:

Cumulative prior preferred, par value \$100 per share, authorized 500,000 shares, issuable in series:		
4½% series of 1947, authorized 403,500 shares, outstanding 261,893.6 shares	26,189,360	
Cumulative second preferred, par value \$100 per share, authorized 300,000 shares, issuable in series:		
4½% series of 1947, authorized and outstanding 250,000 shares	25,000,000	
Common, par value \$1 per share, authorized 15,000,000 shares, outstanding 9,083,208 shares.....	9,083,208	60,272,568

SURPLUS:

Capital	\$64,883,220	
Earned	5,979,158	70,862,378
		<u>\$202,281,968</u>

vision has not been made in this balance sheet for payments to stockholders who shall object to the Agreement of Merger; see "Rights of Dissatisfied Stockholders" in this proxy statement.

SUNRAY OIL CORPORATION
TRANSWESTERN OIL COMPANY (merged into Sunray as of August 2, 1946)
PACIFIC WESTERN OIL CORPORATION AND SUBSIDIARY
GEORGE F. GETTY, INC. (merged into Pacific as of May 31, 1946) **AND SUBSIDIARY**
MISSION CORPORATION

PRO FORMA STATEMENT OF COMBINED INCOME FOR 1946
GIVING EFFECT TO ADJUSTMENTS RECITED IN NOTES BELOW

(not examined by independent public accountants)

Gross operating income.....		\$33,708,714
Operating charges:		
Cost and operating expenses, except items shown below.....	\$14,370,117	
Depreciation and depletion.....	7,868,632	
Abandonments, etc., less net profits from sales of properties.....	2,020,935	
Selling, general and administrative expenses.....	2,734,852	26,994,536
Operating income		\$ 6,714,178
Other income:		
Dividends on investment in Skelly.....	\$ 1,165,314	
Other	79,249	1,244,563
		\$ 7,958,741
Other deductions:		
Interest on funded debt.....	\$ 1,451,250	
Amortization of financing expense.....	36,881	
Other interest	68,495	
Discounts	61,748	
Miscellaneous	1,777	1,620,151
		\$ 6,338,590
Provision for taxes on income.....		788,223
Net income, before increase in equity in undistributed profits of Skelly.....		\$ 5,550,367
Add, Increase in equity in undistributed profits of Skelly.....		4,836,572
Net income		\$10,386,939
Net income per share of Sunray common stock:		
Excluding equity in undistributed profits of Skelly.....		\$.35
Including equity in undistributed profits of Skelly.....		.89

NOTES:

This statement is based on the accompanying 1946 statements of income of Sunray, Transwestern, Pacific, George F. Getty, Inc., and Mission and should be read in conjunction with such statements including the notes thereto.

Adjustments have been made in respect of the following:

1. Depreciation and depletion have been recomputed to give effect to the increased cost to Sunray of Transwestern's and Pacific's properties;
2. Interest charges at the assumed rates of 3% and 17/8% on the new debentures and the new note, respectively, for a full year have been substituted for the actual interest on Sunray's funded debt in 1946;
3. Income from the investment in Tide Water has been eliminated;
4. Intercompany dividends have been eliminated;
5. Transwestern's royalty income for the period prior to its merger into Sunray has been eliminated together with direct royalty expenses;
6. Adjustment has been made for amortization of financing expense;
7. Income taxes have been recomputed to reflect the foregoing adjustments.

No adjustments have been made for currently higher prices of oil, gas and refined products, or for higher operating costs for wages, materials, etc.



